



Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

Wednesday, May 3, 2023

1:30 PM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

K. Murdoch (Chair), J. Caradonna (Vice Chair), M. Alto, P. Brent, S. Brice, Z. de Vries, G. Holman, P. Jones, D. Kobayashi, C. McNeil-Smith, L. Szpak, C. Plant (Board Chair, ex officio)

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. Territorial Acknowledgement

2. Approval of Agenda

3. Adoption of Minutes

3.1. [23-181](#) Minutes of the April 5, 2023 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of April 5, 2023 be adopted as circulated.

Attachments: [Minutes - April 5, 2023](#)

4. Chair's Remarks

5. Presentations/Delegations

The public are welcome to attend CRD Board meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application at www.crd.bc.ca/address no later than 4:30 pm two days before the meeting and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

5.1. [23-326](#) Presentation: Lenora Lee, KPMG re CRHD and CRHC 2022 Audit Findings Reports

5.2. [23-325](#) Presentation: Dr. Mike Benusic, Island Health, Re: Clean Air Bylaw Island Health Annual Report to CRD

Attachments: [Presentation: Clean Air Bylaw Island Health Annual Report](#)

- 5.3. [23-162](#) Presentation: Dr. Réka Gustafson, Island Health, Re: Decriminalization & CRD Clean Air Bylaw

Attachments: [Presentation: Decriminalization & CRD Clean Air Bylaw](#)

- 5.4. [23-343](#) Delegation - Christiane Sadeler; Resident of Central Saanich: Re: Agenda Item 7.1.: Motion with Notice: Regional Community Safety and Wellbeing Plan and Council (Director Plant)

6. Committee Business

- 6.1. [23-232](#) Capital Regional Hospital District 2022 Audit Findings Report and Audited Financial Statements

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2022 Audited Financial Statements be approved.

Attachments: [Staff Report: CRHD 2022 Audit Report and Statements](#)
[Appendix A: CRHD 2022 Financial Statements](#)
[Appendix B: CRHD Audit Findings Report](#)
[Appendix C: CRHD Other Financial Statement Analysis](#)
[Appendix D: CRHD Financial Performance Indicators](#)

- 6.2. [23-231](#) Capital Region Housing Corporation 2022 Audit Findings Report and Audited Financial Statements

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2022 Audited Financial Statements be approved.

Attachments: [Staff Report: CRHC 2022 Audit Findings Financial Stmtns](#)
[Appendix A: CRHC 2022 Financial Statements](#)
[Appendix B: CRHC 2022 Audit Findings Report](#)
[Appendix C: CRHC 2022 Detailed Variance Analytics \(Stmnt of Fin. Position\)](#)
[Appendix D: CRHC 2022 Detailed Variance Analytics \(Stmnt of Operations\)](#)
[Appendix E: CRHC 2022 Other Financial Statement Analysis](#)

- 6.3. [23-335](#) Next Steps Related to Provincial Decriminalization of Controlled Substances

Recommendation: There is no recommendation. This report is for information only.

Attachments: [Staff Report: Next Steps Related to Provincial Decriminalization](#)
[Appendix A: Bylaw No. 3962](#)

6.4. [23-338](#) Future Housing Partnerships Alternative Approval Process and Bylaw Amendments

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4551, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023", be introduced, read a first, second, and third time;
2. That Bylaw No. 4552, "Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023", be introduced, read a first, second, and third time; and,
3. That participating area approval for Bylaws No. 4551 and No. 4552 in the municipalities be obtained via council consent on behalf of electors, and by alternative approval process in the electoral areas, and if successful, that staff provide the bylaws to the Inspector of Municipalities for approval.

Attachments: [Staff Report: Future Housing Partnerships AAP & Bylaw Amd.](#)
 [Appendix A: Bylaw No. 3712](#)
 [Appendix B: CRD Lnd Bknng & Hsng Land Acq. Financing](#)
 [Appendix C: Bylaw No. 4551](#)
 [Appendix D: Bylaw No. 4552](#)
 [Appendix E: Summary Homes for People](#)

6.5. [23-318](#) Previous Minutes of Other CRD Committees and Commissions for Information

Recommendation: There is no recommendation. The following minutes are for information only:

- a) Regional Housing Trust Fund Commission minutes - May 26, 2021
- b) Tenant Advisory Committee minutes - December 2, 2022

Attachments: [Minutes: Regional Housing Trust Fund Commission - May 26, 2021](#)
 [Minutes: Tenant Advisory Committee - December 2, 2022](#)

7. Notice(s) of Motion**7.1. [23-322](#) Motion with Notice: Regional Community Safety and Wellbeing Plan and Council (Director Plant)**

Recommendation: "That staff be directed to report back to the Hospitals and Housing Committee on the benefits and implications of participating in a regional Community Safety and Wellbeing Plan and Council for the Capital Region."

8. New Business**9. Adjournment**

The next meeting is June 7, 2023.

To ensure quorum, please advise Tamara Pillipow (tpillipow@crd.bc.ca) if you or your alternate cannot attend.

Meeting Minutes

Hospitals and Housing Committee

Wednesday, April 5, 2023

1:30 PM

**6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7**

PRESENT

Directors: K. Murdoch (Chair), J. Caradonna (Vice Chair), M. Alto, P. Brent (EP), S. Brice,
Z. de Vries (EP) (1:40PM), G. Holman (EP) (1:32PM), D. Kobayashi, L. Szpak, C. Stock (for P. Jones)

Staff: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; K. Lorette, General Manager, Planning and Protective Services; R. Fowles, Manager, Construction & Capital Projects, Regional Housing; S. Grigg, Manager of Operations, Regional Housing; N. Kawata, Manager, Housing Initiatives & Programs; M. Lagoa, Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors P. Jones, C. McNeil-Smith, C. Plant

The meeting was called to order at 1:30 pm.

1. Territorial Acknowledgement

Chair Murdoch provided a Territorial Acknowledgment.

2. Approval of Agenda

**MOVED by Director Alto, SECONDED by Director Kobayashi,
That the agenda for the April 5, 2023 Hospitals and Housing Committee meeting
be approved.
CARRIED**

3. Adoption of Minutes

3.1. [23-267](#) Minutes of the March 1, 2023 Hospitals and Housing Committee Meeting

**MOVED by Alternate Director Stock, SECONDED by Director Szpak,
That the minutes of the Hospitals and Housing Committee meeting of March 1,
2023 be adopted as circulated.
CARRIED**

4. Chair's Remarks

There were no Chair's remarks.

5. Presentations/Delegations

There were no presentations or delegations.

6. Committee Business

6.1. [23-213](#) Implications of Proposed Changes to Land Banking and Housing Service

K. Lorette introduced staff in attendance. N. Chan presented Item 6.1. for information.

Discussion ensued on the following:

- the rationale for additional land banking to advance affordable housing
- the implications of the bylaw approval process timeline

MOVED by Director Caradonna, SECONDED by Director Brent,
The Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That staff be directed to bring forward a report with an amendment to Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment bylaw No. 1, 2010" to increase the allowable annual maximum requisition by \$5 million to \$10 million; and
2. Create a loan authorization bylaw to enable the financing of up to \$85 million from the increase of the allowable annual maximum requisition of \$5 million.

Discussion ensued on the following:

- housing strategy and priorities
- financial planning process

Director Brice left the meeting at 2:20 pm.

MOVED by Director Caradonna, SECONDED by Director Alto,
That the previous question on the main motion be called.

CARRIED

Opposed: Holman, Murdoch, Szpak

The question was called on the main motion:

The Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That staff be directed to bring forward a report with an amendment to Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment bylaw No. 1, 2010" to increase the allowable annual maximum requisition by \$5 million to \$10 million; and
2. Create a loan authorization bylaw to enable the financing of up to \$85 million from the increase of the allowable annual maximum requisition of \$5 million.

CARRIED

OPPOSED: Kobayashi, Murdoch, Szpak, Stock

Director Alto left the meeting at 2:28 pm.

6.2. [23-252](#) Reaching Home Program

K. Lorette presented Item 6.2. for information.

Discussion ensued on the following:

- work being done to streamline the Coordinated Access and Assessment process
- Electoral Areas having access to these programs
- integration, privacy, and security of these systems

6.3. [23-240](#) Regional Housing First Program: Project Update, First Quarter, 2023

K. Lorette presented Item 6.3. for information.

Discussion ensued on the implications of equity contributions.

6.4. [23-250](#) Capital Region Housing Corporation Operational Update - First Quarter 2023

K. Lorette presented Item 6.4. for information.

Discussion ensued on the following:

- the average wait list time for seniors
- steps the Board can take to facilitate shorter wait list times

6.5. [23-251](#) Major Capital Plan Status Report - First Quarter 2023

K. Lorette presented Item 6.5. for information.

Discussion ensued on the following:

- advancing the identified redevelopment projects
- the Zero Carbon Step Code and BC Housing Design guidelines for new builds

7. Notice(s) of Motion

There were no notice(s) of motion.

8. New Business

There was no new business.

9. Adjournment

**MOVED by Director Kobayashi, SECONDED by Alternate Director Stock,
That the April 5, 2023 Hospitals and Housing Committee meeting be adjourned at
3:15 pm.
CARRIED**

CHAIR

RECORDER

Clean Air Bylaw Island Health Annual Report to CRD

Dr. Mike Benusic, Medical Health Officer

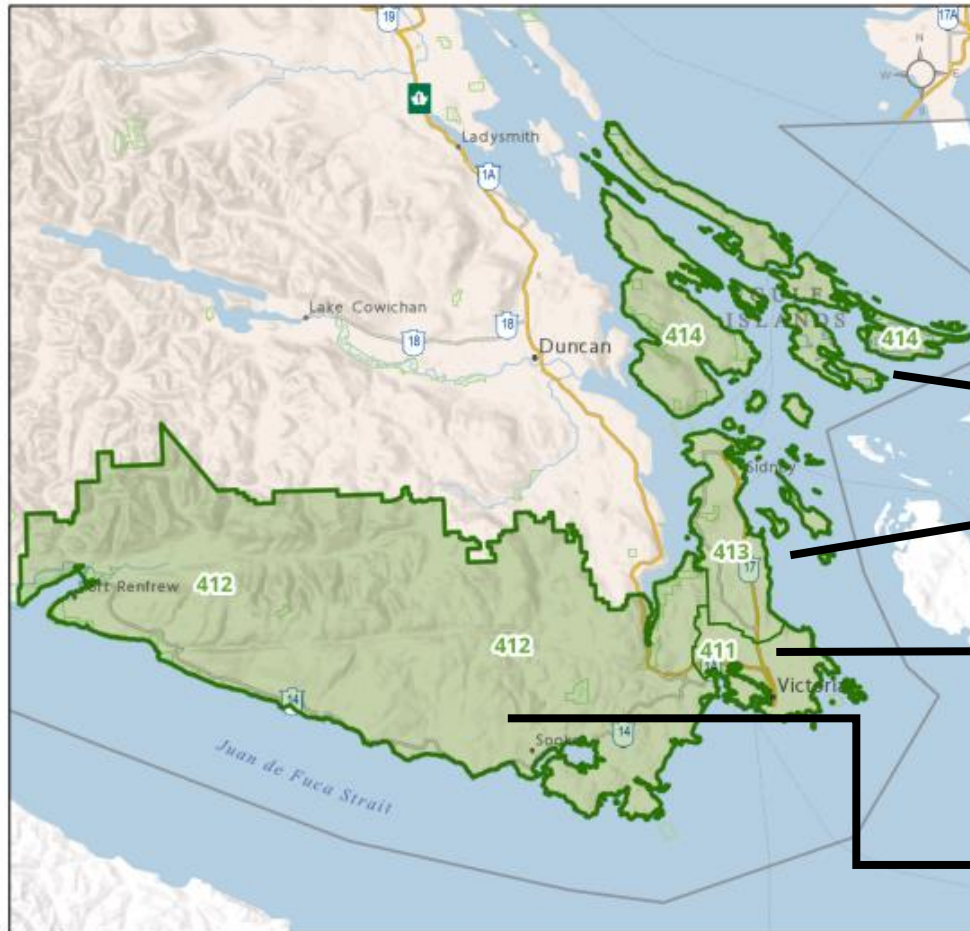
3 May 2023

41 South Vancouver Island



Local Health Area (LHA)

- 411 Greater Victoria
- 412 Western Communities
- 413 Saanich Peninsula
- 414 Southern Gulf Islands



Public Health Act

Section 73(3): A medical health officer must advise, in an independent manner, authorities and local governments within the designated area

- (a) on public health issues, including health promotion and health protection,
- (b) on bylaws, policies and practices respecting those issues, and
- (c) on any matter arising from the exercise of the medical health officer's powers or performance of his or her duties under this or any other enactment.

Chief MHO: Dr. Reka Gustafson

Dr. Dee Hoyano

Dr. Mike Benusic

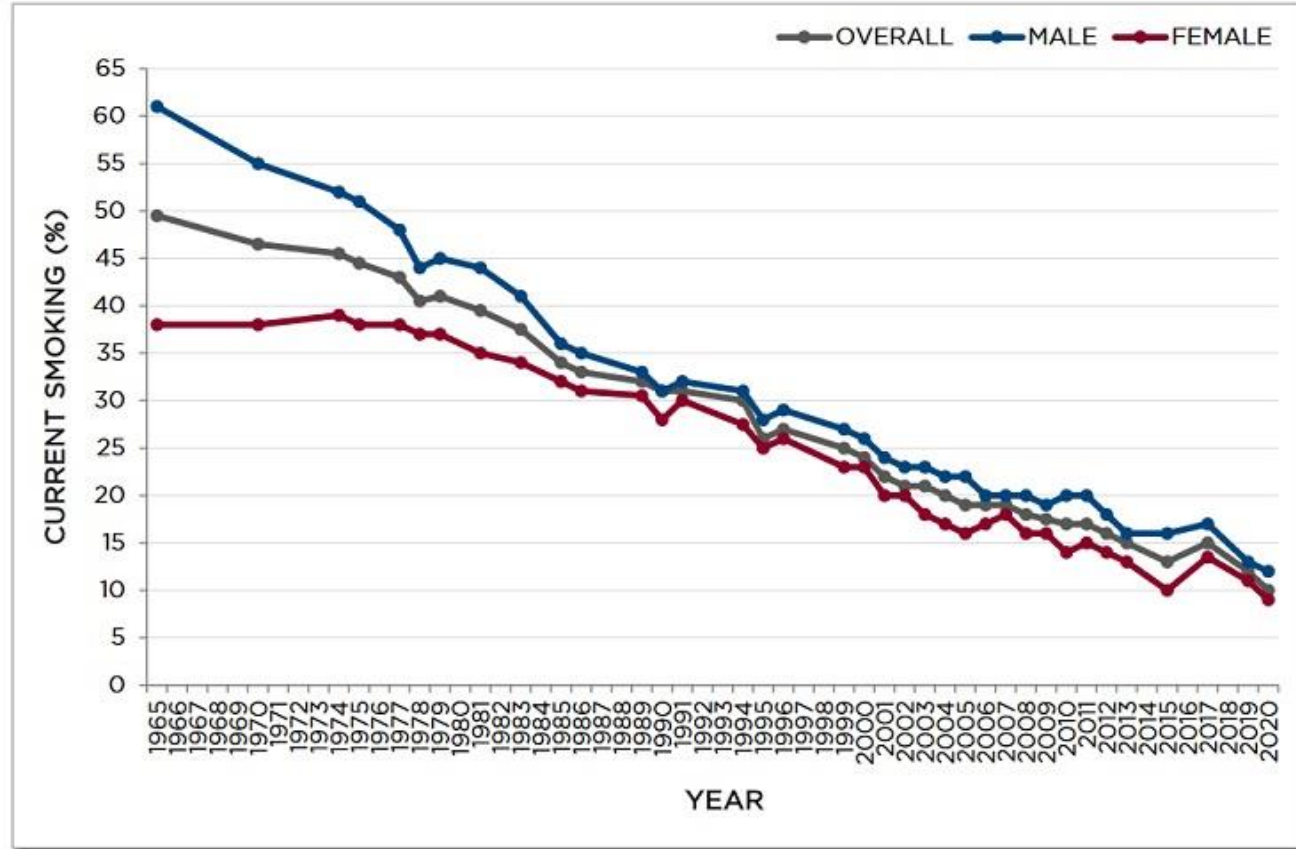
Dr. Murray Fyfe

Outline

1. Surveillance update
2. Introduction to Clean Air Bylaw
3. Island Health's role
4. Annual report

Surveillance Update

FIGURE 1.1: SMOKING PREVALENCE* IN CANADA, ADULTS AGED 15+, 1965-2020

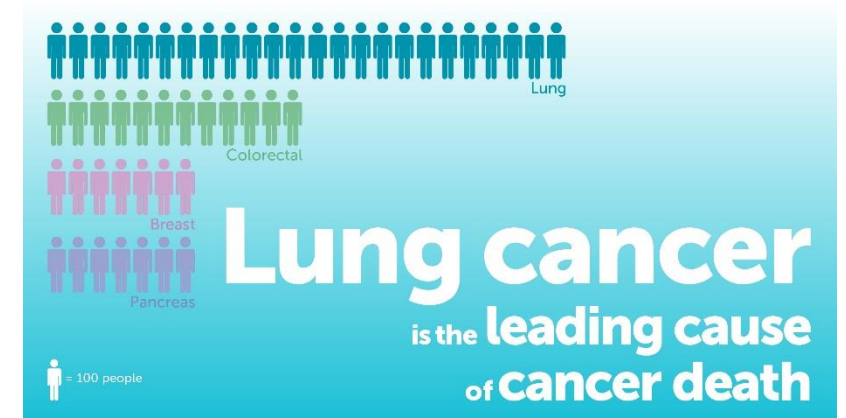
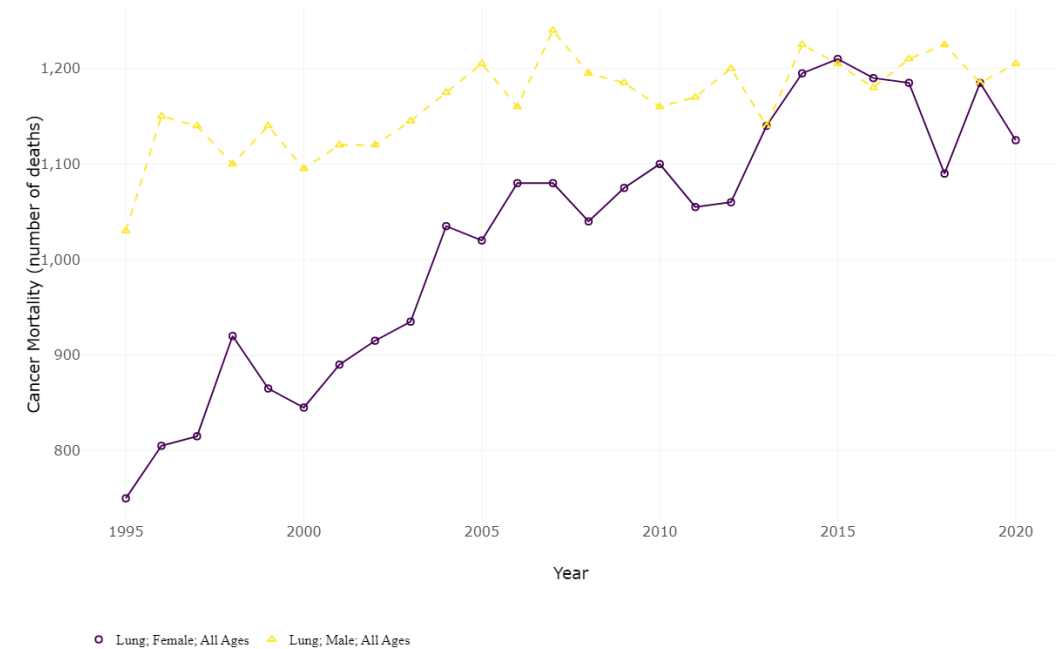


*INCLUDES DAILY AND NON-DAILY SMOKERS

DATA SOURCES: 1965-1986: A CRITICAL REVIEW OF CANADIAN SURVEY DATA ON TOBACCO USE, ATTITUDES AND KNOWLEDGE (HEALTH AND WELFARE CANADA, 1988); 1989-1989: SMOKING BEHAVIOUR OF CANADIANS: A NATIONAL ALCOHOL AND OTHER DRUGS SURVEY REPORT, 1989 (HEALTH AND WELFARE CANADA, 1992); 1990: CANADA'S HEALTH PROMOTION SURVEY 1990: TECHNICAL REPORT (HEALTH AND WELFARE CANADA, 1993); 1991: HEALTH STATUS OF CANADIANS: REPORT OF THE 1991 GENERAL SOCIAL SURVEY (STATISTICS CANADA); 1994: NATIONAL POPULATION HEALTH SURVEY (STATISTICS CANADA); 1995, 1996: GENERAL SOCIAL SURVEY (STATISTICS CANADA) [ALL AS QUOTED IN: PHYSICIANS FOR A SMOKEFREE CANADA, SMOKING IN CANADA, 2008]; 1999-2012: CANADIAN TOBACCO USE MONITORING SURVEY (HEALTH CANADA); 2013, 2015, 2017: CANADIAN TOBACCO, ALCOHOL AND DRUGS SURVEY (HEALTH CANADA); 2019, 2020: CANADIAN TOBACCO AND NICOTINE SURVEY (HEALTH CANADA).

Source: [University of Waterloo](https://www.uwaterloo.ca/)

Lung Cancer Deaths, BC



Source: [BC Cancer](https://www.bccancer.ca/)

Clean Air Bylaw

2. PROHIBITION

- (1) No person shall carry or have in his possession a burning cigarette or cigar containing tobacco or another substance or a pipe containing burning tobacco or another substance, or burn tobacco or another substance using a pipe, hookah pipe, lighted smoking device or vapourizing device:
- a) in any park except in a private vehicle;
 - b) in any designated public space;
 - c) in any school yard;
 - d) inside any part of a building or structure except in a private residence, hotel or motel room, or tent or trailer in a campsite;
 - e) in any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
 - f) in any vehicle or passenger conveyance, except in a private vehicle;
 - g) within seven (7) metre area measured on the ground from a point directly below any point of a doorway, window or air intake in a place described in subparagraphs 2(1)(d) and (e);
- Bylaw 4272*
- h) within seven (7) metres of a bus stop measured on the ground from any point of the bus stop sign.

- (2) No responsible person shall permit a person to carry or have in his possession a burning cigarette or cigar containing tobacco or another substance or pipe containing burning tobacco or another substance, or to burn tobacco or another substance using a hookah pipe, lighted smoking device or vapourizing device:
- (a) inside any part of a building or structure, except inside a private residence, hotel or motel room, or tent or trailer in a campsite;
 - (b) in any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
 - (c) in any vehicle or passenger conveyance, except in a private vehicle.

Bylaw 4237

- (3) Section 2(1) does not apply to a ceremonial use of tobacco in relation to a traditional aboriginal cultural activity.
- (4) Subsections 2(1) and 2(2) do not apply to a controlled substance within the meaning of the *Controlled Drugs and Substances Act (Canada)*.

A bylaw for the purposes of maintaining, promoting and preserving the public health of the inhabitants of the Capital Regional District to prohibit, regulate and impose requirements in relation to smoking in the Capital Regional District.

3. POSTING OF SIGNS

- (1) A responsible person must display, or ensure the display of, a sign at all times, in the form established under paragraph 4(1):
- (a) at the main entrances to a park;
 - (b) at the main entrances to a designated public space;
 - (c) at the main entrances to a school yard;
 - (d) at each entrance to a building or structure for which that person is a responsible person except a private residence, hotel or motel room, or a tent or trailer in a campsite;
 - (e) inside a vehicle or passenger conveyance, except in a private vehicle;
 - (f) at any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
- (2) A responsible person must display, or ensure the display of, a sign, at all times, on each exterior wall of a building or structure where the prohibition contained in section 2(1) applies, that states:
- “Smoking is prohibited within seven (7) meters of openings into this building or structure including doors and windows that open and any air intake.”

6. OFFENCE

- (1) A person who contravenes, violates or fails to comply with any provision of this Bylaw, or who suffers or permits any act or thing to be done in contravention or violation of this Bylaw, or who fails to do anything required by this Bylaw, commits an offence and shall be liable, upon conviction, to a fine of not more than Two Thousand Dollars (\$2,000.00), the costs of prosecution and any other penalty or order imposed pursuant to the *Local Government Act, Community Charter or the Offence Act* (British Columbia). Each day that an offence against this Bylaw continues or exists shall be deemed to be a separate and distinct offence.
- (2) The penalties imposed under Section 6(1) shall be in addition to and not in substitution for any other penalty or remedy imposed by this Bylaw or any other statute, law or regulation.

Island Health's Role

2023-2024 Scope of Services Between Island Health, Public Health and Capital Regional District (CRD)

Clean Air Bylaw No. 3962

ENFORCEMENT

- Apply a progressive enforcement approach on a continuum to address noncompliance and enforce the bylaw.
- Incorporate strategies to achieve voluntary compliance with the bylaw including targeted public education and awareness, signage and warnings; enforcement activities may include written warning tickets and municipal fine tickets based on a progressive enforcement continuum.
- Maintain and adhere to developed complaints policy and procedure for receiving, recording and responding to complaints.
- Compliance and enforcement measures will primarily be complaint based however may also include the monitoring of identified locations using a rotation of physical presence of the enforcement officer(s).
- Partner and consult with Island Health provincial Tobacco & Vapour Enforcement Officers on compliance issues where the provincial *Tobacco and Vapour Products Control Act* and Regulation and the Clean Air Bylaw may overlap.
- Island Health may request the assistance of CRD bylaw enforcement officers as necessary.
- Enforcement Officers will adhere to expectations of enforcement conduct and processes in all interactions with the public as outlined in the applicable Island Health policies and procedures.

EDUCATION & AWARENESS

- Enable prevention, reduction and enforcement of tobacco, vapour and cannabis product use through engagement and collaboration with community stakeholders.
- Provide consultation, education and awareness on request related to the bylaw to stakeholders including for example CRD staff and enforcement officers, retailers, and municipalities.
- Provide education and awareness of the requirements of the bylaw to the public through planned and coordinated community events.
- Maintain a CRD Clean Air Bylaw page on the Island Health website with current information for the public.
- Maintain the CRD Clean Air Bylaw email cleanairbylaw@islandhealth.ca and phone line 250-360-1450.
- Provide education regarding signage requirements and provide signage resources (decals/window clings) as applicable.
- Refer inquiries as appropriate to CRD staff for metal signage.
- Keep the CRD staff apprised of the potential impact of pending provincial legislation related to tobacco, vapour and cannabis products.

EVALUATION

- Collect and analyze data regarding inspections, complaint investigation, stakeholder collaboration and education outreach.
- Routine monitoring and analysis of smoking behaviours.

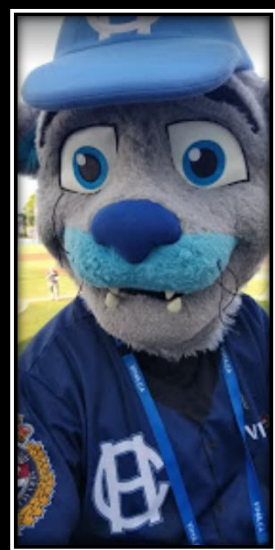
Idling Control Bylaw No. 1, 2008 and Tanning Facility Bylaw No. 1, 2010

- Provide complaint follow-up and investigation by Environmental Health Officers related to the Idling Control and Tanning Facility Bylaws.
- Document complaints and results of investigation.
- Implement a progressive enforcement approach starting with education and consultation.
- Refer to CRD if tickets or legal action is warranted.
- Reimburse CRD for Bylaw enforcement activities resulting from referrals.

Tattoo Facilities Bylaw No. 1, 2006

- Approve tattooing premises prior to commencement of operations.
- Inspect premise to ascertain that regulations in the Bylaw are being followed.
- Document results of premise approvals and inspections.
- Initiate the appropriate enforcement action to address non-compliance.

Education & Awareness



- Public events
- Presentations with Victoria HarbourCats to >800 students in SD61, 62, 63
- Use of Island Health social media, including:
 - National Non-Smoking Week
 - Weedless Wednesday
 - World No Tobacco Day
- [CRD Clean Air Bylaw webpage on Island Health website](#)
 - Information
 - Resources on bylaw
 - Resources on smoking cessation
- Public communications:
 - cleanairbylaw@islandhealth.ca
 - phone line 250.360.1450

Progressive Enforcement

Preventive

Education and awareness campaigns
Signage
Individual education conversations
Verbal and Written warnings

Restrictive

Municipal Tickets
Injunctions
Prosecutions



1,583 signage inspections

Enforcement (April 2022 – March 2023)

Complaint driven (50 received)

Section	Prohibitions	Quantity
2(1)(a)	Smoking in any park except in a private vehicle	6
2(1)(b)	Smoking in any designated public space	3
2(1)(c)	Smoking in any school yard	3
2(1)(d)	Smoking inside any part of a building or structure	2
2(1)(g)	Smoking within 7M of a door, window, or air intake	10
2(1)(h)	Smoking within 7M of a bus stop	4
3(1)(a)	Signage must be displayed at the main entrances to a park	1
3(1)(d)	Signage must be displayed at each entrance of a building	2
Total		31

Patrols

Section	Prohibitions	Quantity
2(1)(a)	Smoking in any park except in a private vehicle	18
2(1)(b)	Smoking in any designated public space	13
2(1)(c)	Smoking in any school yard	3
2(1)(d)	Smoking inside any part of a building or structure	0
2(1)(e)	Smoking in an area where food & beverage are served	0
2(1)(f)	Smoking inside a vehicle or passenger conveyance	0
2(1)(g)	Smoking within 7M of a door, window, or air intake	0
2(1)(h)	Smoking within 7M of a bus stop	9
Total		43

Idling, Tanning, & Tattoo Bylaws



Enforcement 2022-23	
Tattoo Premise Routine Inspections	35
Tattoo Premise Initial Inspections	27
Tattoo Premise Complaints	0
Idling Complaints	4
Tanning Facility Complaints	0

Environmental Health Officers (EHO's) enforce through inspection, complaint follow-up and investigations.

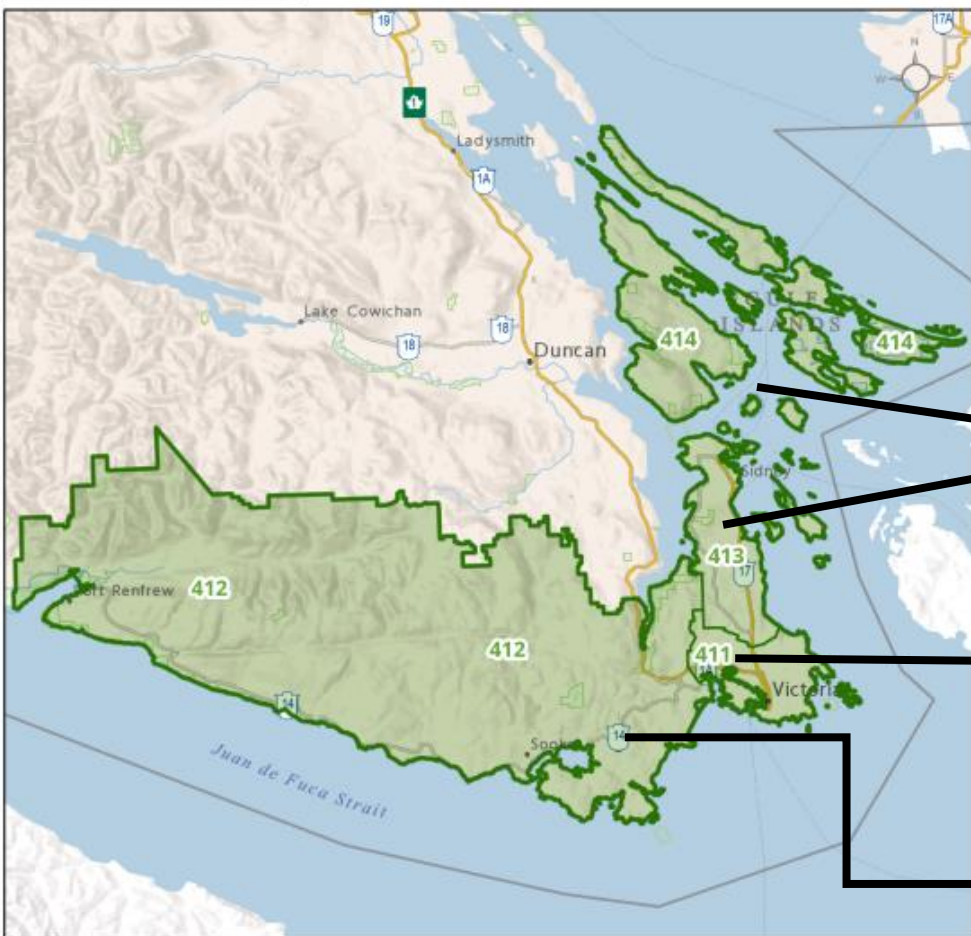
41 South Vancouver Island

Local Health Area (LHA)

- 411 Greater Victoria
- 412 Western Communities
- 413 Saanich Peninsula
- 414 Southern Gulf Islands



1837 Fort Street, Victoria
Phone: 250-519-3406



Dr. Reka Gustafson (Chief): reka.gustafson@islandhealth.ca

Dr. Dee Hoyano: dee.hoyano@islandhealth.ca

Dr. Mike Benusic: michael.benusic@islandhealth.ca

Dr. Murray Fyfe: murray.fyfe@islandhealth.ca

Decriminalization & CRD Clean Air Bylaw

Dr. Reka Gustafson
Chief Medical Health Officer, Vice President Population & Public Health

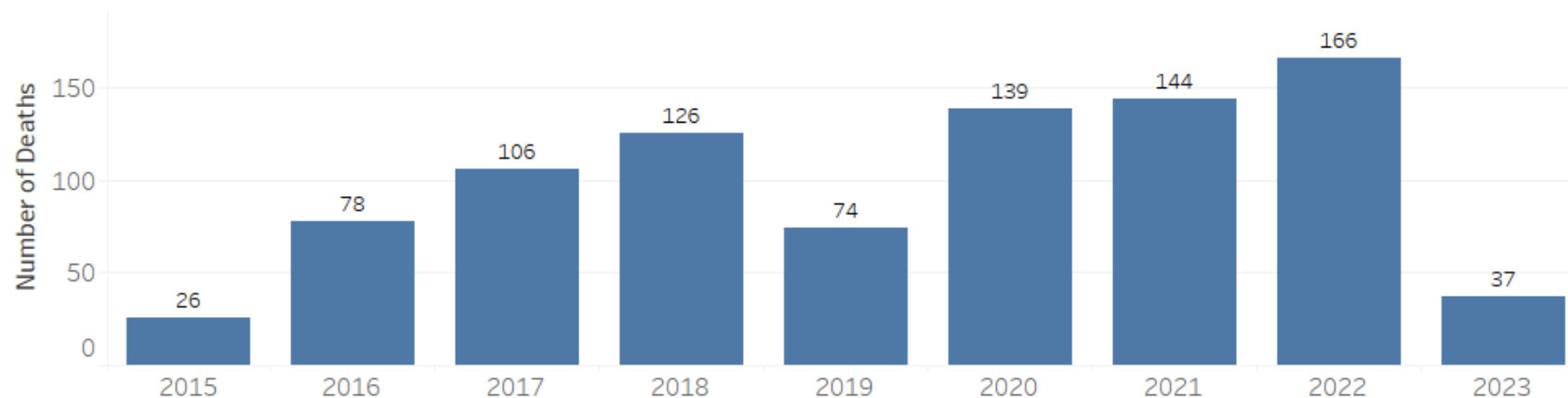
3 May 2023

Outline

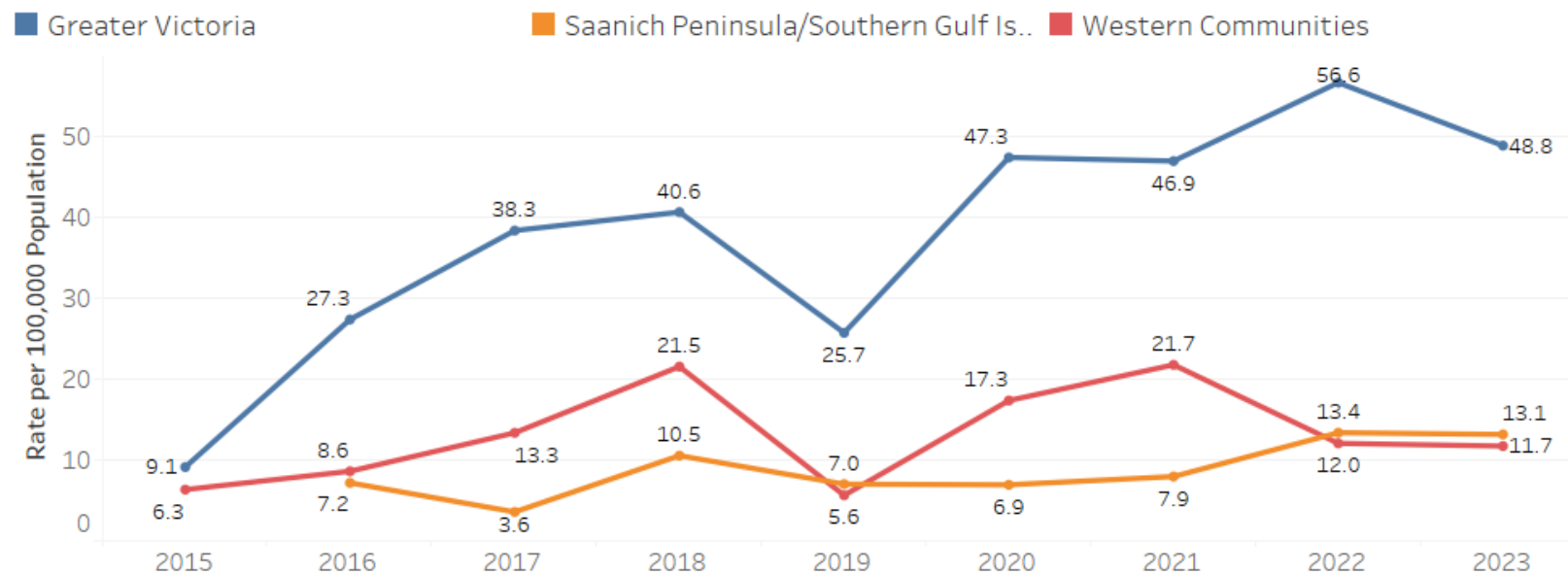
1. Toxic drug crisis update
2. Decriminalization: why and what
3. CRD Clean Air Bylaw and controlled substances
4. Discussion & next steps

Toxic drug crisis update

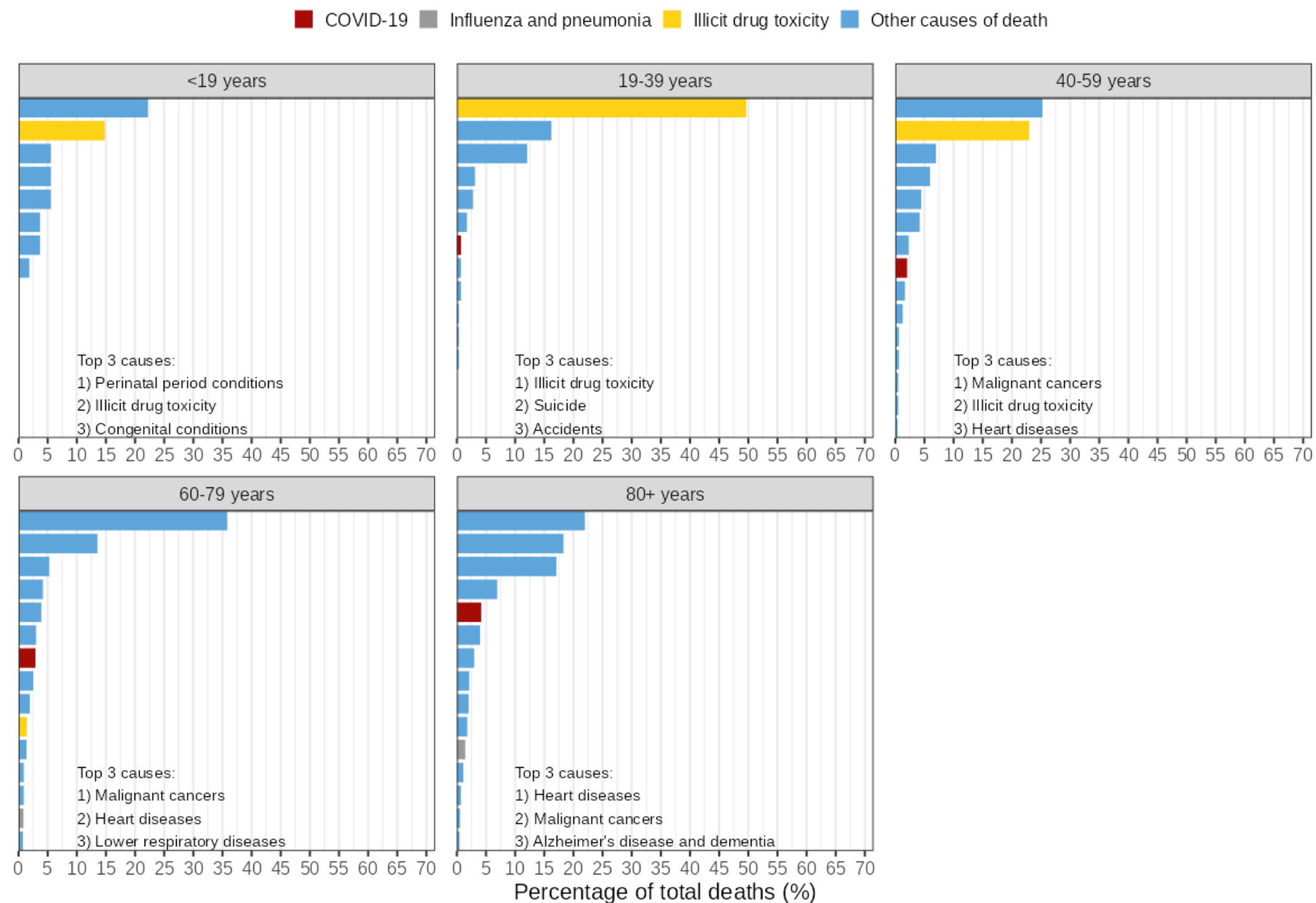
Number of Illicit Drug Toxicity Deaths by Year, South Island HSDA/Capital Regional District , 01-Jan-2015 to 31-Mar-2023



Rate of Illicit Drug Toxicity Deaths by Year, South Island HSDA/Capital Regional District, Local Health Areas, 01-Jan-2015 to 31-Mar-2023



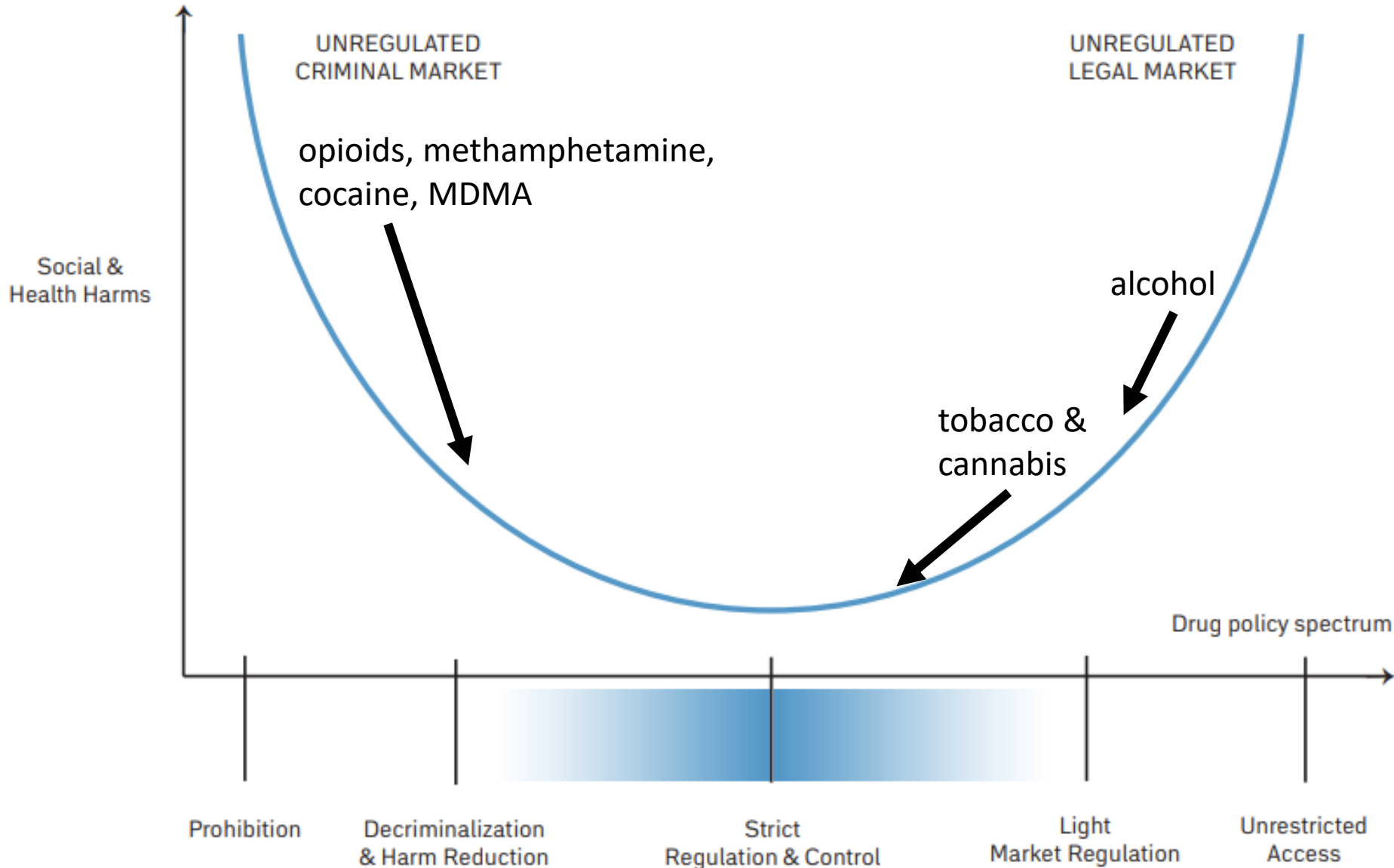
Top 15 causes of death by age group in Island Health for 2022



Cause unknown or pending in Vital Statistics data: 9.2%. This figure may change as cause of death data become more complete.

Data sources: 1) BC Vital Statistics; 2) Data on deaths due to illicit drug toxicity, accidents and suicides provided to BCCDC by BC Coroners Service.

Decriminalization: Purpose



- Reduce harm to people who are using drugs from a toxic supply and not accessing health and social services due to concerns of criminalization
- Step towards manage drug use as a health issue, not a criminal issue

Decriminalization: Key features



Applies to adults 18+



Inclusive of opioids, crack/powder cocaine, methamphetamine, and MDMA



Police will provide resource cards with information on local supports and will make voluntary referrals



2.5g cumulative threshold floor, with police discretion above



Approaches to unique populations, including Indigenous Peoples and people in rural/remote areas



Robust police training, and monitoring and evaluation framework

NO arrests or seizures for personal possession under the threshold

NO fines, tickets or other administrative sanctions

NO mandatory treatment or diversion

Decriminalization: Exceptions

On K-12 school premises

On premises of licensed childcare facilities

In airports

On Canadian Coast Guard vessels and helicopters

For Canadian Forces members subject to the *Code of Service Discipline*

In a motor vehicle or watercraft operated by a minor

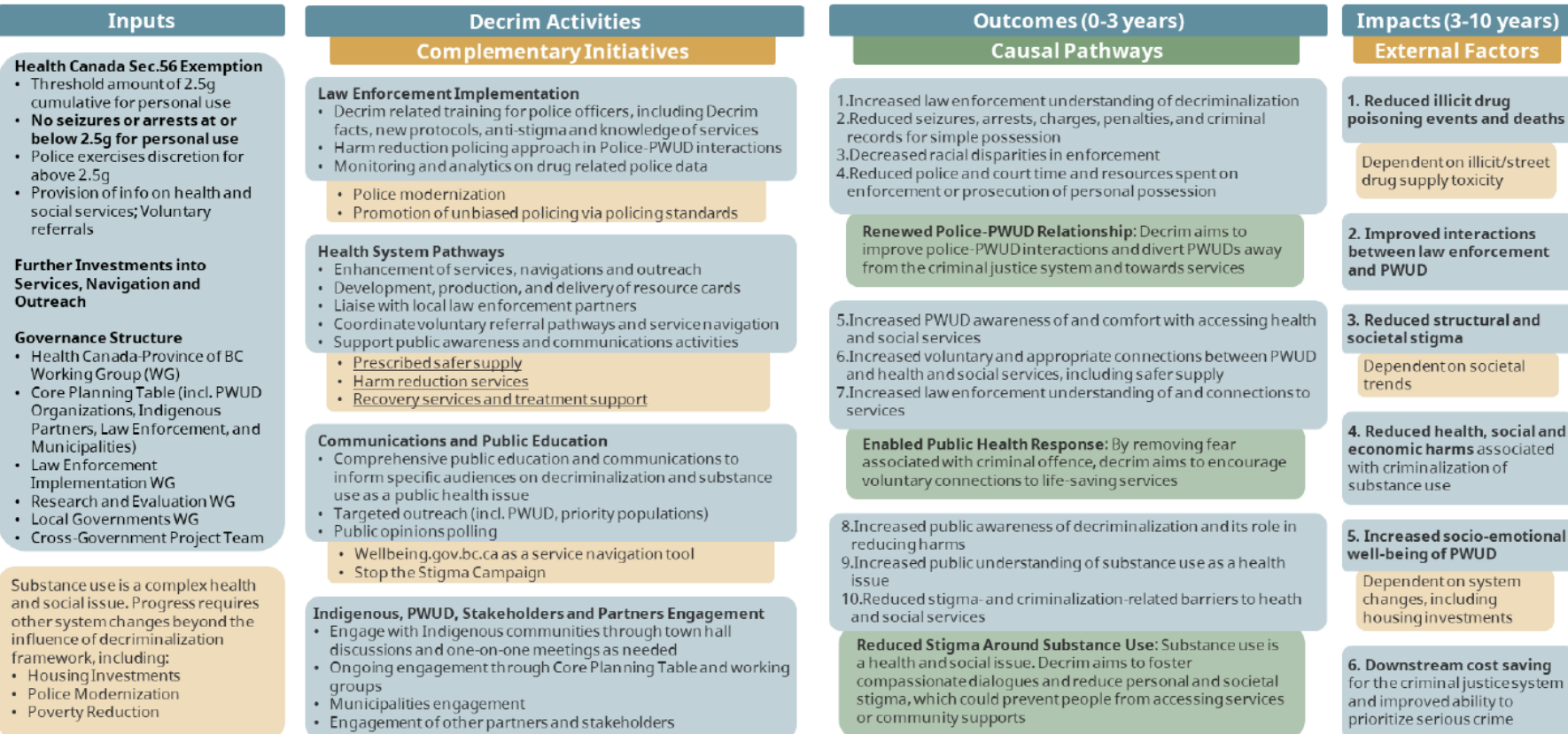
When readily accessible to the operator of a motor vehicle or watercraft

More information on scope of the exemption can be found at: <https://www2.gov.bc.ca/gov/content/overdose/decriminalization> or via [Health Canada](#) online

Decriminalization: Monitoring and evaluation

Causal Pathways: Stigma and criminalization prevent people from accessing critical health and social services and lead people to use alone, where the risk of overdose is elevated. **Decriminalization enables BC's public health response** to the overdose crisis by reducing stigma and harms of criminalization and addressing anti-Indigenous racism.

Complementary Initiatives and External Factors: Measurable progress towards the outcomes is unlikely to be achieved through decriminalization alone. Progress also relies on other complementary system change initiatives and is dependent on external factors.



- Monitoring elements required by Health Canada + provincial additions
- Internal evaluation (BCCDC participating via HRCS and qual)
- External CIHR funded evaluation (CRISM Ontario)

CRD Clean Air Bylaw & Controlled substances

- (4) Subsections 2(1) and 2(2) do not apply to a controlled substance within the meaning of the *Controlled Drugs and Substances Act (Canada)*.

Bylaw 4237

2. PROHIBITION

- (1) No person shall carry or have in his possession a burning cigarette or cigar containing tobacco or another substance or a pipe containing burning tobacco or another substance, or burn tobacco or another substance using a pipe, hookah pipe, lighted smoking device or vapourizing device:

- a) in any park except in a private vehicle;
- b) in any designated public space;
- c) in any school yard; ←
- d) inside any part of a building or structure except in a private residence, hotel or motel room, or tent or trailer in a campsite;
- e) in any area of a business place where either or both food and beverages are served or consumed, or both served and consumed; ←
- f) in any vehicle or passenger conveyance, except in a private vehicle;
- g) within seven (7) metre area measured on the ground from a point directly below any point of a doorway, window or air intake in a place described in subparagraphs 2(1)(d) and (e);

Any possession/use of controlled substance remains illegal, as with daycares and airports

Police retain legal authority under Trespass Act to remove

- h) within seven (7) metres of a bus stop measured on the ground from any point of the bus stop sign.

Bylaw 4272

Smoking bylaws in BC

- [Vancouver](#) “smoke” or “smoking” includes burning a cigarette or cigar, or burning any substance using a pipe, hookah pipe, lighted smoking device or electronic smoking device; and
- [Surrey](#) “smoke” or “smoking” means to inhale, exhale, burn or carry:
 - (a) a lighted cigarette, cigar, pipe, hookah pipe or other lighted smoking equipment that burns tobacco or other weed or substances; or
 - (b) an activated e-cigarette; and
- [RD Central Okanagan](#) No person shall carry or have in his possession a burning cigarette, cigar or a pipe containing burning tobacco or burn tobacco or any other smoking material in any manner within a community park.
- [Duncan](#) *Smoke or Smoking* means the burning, inhaling, exhaling, or carrying of a lighted cigarette, cigar, pipe, lighted smoking device, electronic smoking device, e-cigarette, and any other ignited smoking equipment to burn any vegetative matter or any vapour product.
- [Tofino](#) “smoke” or “smoking” means to purposely inhale or exhale smoke from or burn or carry, a lighted cigarette, cigar, pipe, hookah pipe, or other lighted or electronic smoking paraphernalia that burns or vaporizes tobacco or cannabis or other weed or substance,

Considerations

- Goal: minimize harm
 - Would excluding controlled substances in the Clean Air Bylaw cause harm from second-hand exposures?
 - Would including controlled substances in the Clean Air Bylaw cause harm to people who use drugs?

Recommendation

- No urgency to change Clean Air Bylaw regarding controlled substances
- Further collaboration

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 03, 2023**

SUBJECT **Capital Regional Hospital District 2022 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Regional Hospital District (CRHD) 2022 Audit Findings Report and approve the Audited Financial Statements.

BACKGROUND

The CRHD was established in 1967 by the provincial government (*Hospital District Act*) to provide the local share of capital funding for healthcare infrastructure in the capital region. CRHD shares the same boundaries, board of directors and administrative staff as the Capital Regional District (CRD).

Section 17 of the *Hospital District Act* and Section 814 of the *Local Government Act* require that audited financial statements be prepared each year. The 2022 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS), as recommended by the Public Sector Accounting Board (PSAB).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in strategic priorities in healthcare. These include new construction, upgrades, renewals and expansion of health facilities and medical equipment. More recently, CRHD also contributes by developing land and health facilities for Island Health to occupy for health authority purposes. Financial activities include strategies and actions to raise the local cost share of funding for capital projects directed by Island Health and 100% for CRHD directed development and construction initiatives. A significant activity in 2022 was the completion of the Oak Bay Lodge site demolition. This development project is being pursued in partnership with Island Health.

Under PSAB regulations, the CRHD is required to present four statements with accompanying notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Change in Net Debt
4. Statement of Cash Flows

Attached as Appendix A are the CRHD 2022 Audited Financial Statements. These also include Schedule A which provides a listing of contributions paid to district hospitals.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and audit results. The report confirms there have been no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 11, 2023, and the audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as at December 31, 2022.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2022 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2022 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Audit Findings Report

The Audit Findings Report (Appendix B) provides the results of the KPMG audit and reports specific results in areas of focus identified in the Audit Planning Report presented to the CRHD Board on January 11, 2023.

Financial Statements

The Statement of Financial Position and the Statement of Operations form the basis of the audited financial statements and are similar to the Balance Sheet and Income Statement in private organizations. The CRHD financial statements are prepared and presented in accordance with Canadian PSAS.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: financial assets, financial liabilities and non-financial assets. For 2022, the financial position is in a net debt position of (\$86) million and with an accumulated surplus of \$20.8 million.

Financial Assets

Financial assets as of December 31, 2022, were \$31.3 million an increase of \$4.8 million or 18% from 2021. Table 1 summarizes financial assets as of December 31 and provides the change year over year.

Table 1 – Change in Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
Financial Assets				
Cash and cash equivalents	18.6	17.7	0.9	5%
Investments	9.0	5.0	4.0	80%
Due from CRD	0.1	0.1	-	-
Other receivables	0.3	0.1	0.2	200%
Restricted cash – MFA DRF	3.3	3.6	(0.3)	(8%)
Total Financial Assets	\$31.3	\$26.5	\$4.8	18%

Cash and cash equivalents include cash on hand, bank deposits and short-term highly liquid investments. Cash and cash equivalents increased by \$0.9 million primarily due to completion of the Oak Bay Lodge demolition project and less cash required for vendor payments. Investments increased by \$4.0 million year over year, due to an investment strategy which moved funds on hand into longer-term holdings. Further details on changes are included in Appendix C, section 4, Statement of Cash Flows.

Other receivables increased by \$0.2 million due to investment holdings and accrued interest receivable where restricted cash decreased by (\$0.3) million due to debt maturities exceeding new debt issuances in the year, therefore reducing the Municipal Finance Authority (MFA) Debt Reserve Fund (DRF).

Financial Liabilities

Table 2 summarizes financial liabilities of \$117.6 million which include \$3.6 million in accounts payable and other liabilities and \$114.0 million in outstanding long-term debt.

Table 2 – Change in Financial Liabilities Year over Year

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
Financial Liabilities				
Accounts payable & other liabilities	3.2	2.4	0.8	33%
Deferred revenue	0.4	0.4	-	0%
Short-term debt	-	1.8	(1.8)	(100%)
Long-term debt	114.0	128.3	(14.3)	(11%)
Total Financial Liabilities	\$117.6	\$132.9	(\$15.3)	(12%)

The accounts payable balance increased by \$0.8 million over prior year primarily due to the timing of claims on active major projects, net of final payments of project holdbacks related to the Oak Bay Lodge demolition. Long-term debt decreased by (\$14.3) million as a result of debt maturities exceeding new debt borrowings in 2022.

Non-Financial Assets

As shown in Table 3, non-financial assets of \$107.1 million consist solely of tangible capital assets.

Table 3 – Change in Non-Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
Non-Financial Assets				
Tangible Capital Assets	\$107.1	\$106.9	\$0.2	0%

The increase of \$0.2 million from prior year is primarily attributed to \$2.9 million of demolition work at Oak Bay Lodge, \$0.4 million in post-occupancy related expenditures for the Summit, net of \$3.1 million in amortization expense. Additional detail is presented in Note 5 of the 2022 Financial Statements.

2. Statement of Operations

The Statement of Operations reports the annual results of the entity's financial activities, presenting revenues less expenses and the net surplus.

Revenue

Revenue from all sources totaled \$38.3 million in 2022. Table 4 summarizes changes in revenue by source with a net decrease of (\$1.3) million or (3%) over prior year.

Table 4 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2022	2021	\$ Change	% Change
Requisition	26.5	28.1	(1.6)	(6%)
Payments in lieu of taxes	0.8	0.9	(0.1)	(11%)
Lease and other property revenue	4.4	4.4	-	0%
Interest income	0.8	0.3	0.5	167%
Debt Reserve Fund	0.3	-	0.3	100%
Actuarial adjustment of long-term debt	5.5	5.9	(0.4)	(7%)
Total Revenue	\$38.3	\$39.6	(\$1.3)	(3%)

Of the (\$1.3) million total revenue reduction through 2022, (\$2.0) million is a result of lower requisition due to lower debt servicing requirements and a result of a decrease actuarial adjustments on long-term debt. All other changes net to an offsetting increase of \$0.7 million over prior year, primarily a result of higher interest earnings and higher debt reserve fund surplus on expired debt.

Expenses

Expenses consist of contributions to Island Health, interest on debt, operating expenditures and amortization expense. Table 5 summarizes the change in expenses over prior year.

Table 5 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2022	2021	\$ Change	% Change
Contributions to Island Health	6.6	9.5	(2.9)	(31%)
Interest on long-term debt	6.9	7.2	(0.3)	(4%)
Amortization	3.1	3.1	-	-
Operating expenses	1.4	1.3	0.1	8%
Total Expenses	\$18.0	\$21.1	(\$3.1)	(15%)

Contributions in the year were \$6.6 million, a decrease of (\$2.9) million or (31%) over prior year. Contributions vary year-over-year depending on the timing of projects and claim submissions of various initiatives. Of amounts paid in 2022; \$4.5 million went towards minor capital projects in the region and \$2.1 million towards major capital projects such as the Emergency Department Redevelopment at Lady Minto Hospital, the High Acuity Unit at Victoria General Hospital, and various Urgent and Primary Care Clinics in the region.

The decrease in interest on long-term debt of (\$0.3) million is due to lower balances payable as a result of maturities outpacing new debt issuances.

Operating expenses consist of administration, feasibility studies and property management costs. The \$0.1 million increase is primarily attributed to higher administration and property management costs \$0.2 million, net of decreased feasibility studies costs (\$0.1) million.

2022 Annual Surplus

The accumulated surplus/(deficit) represents the sum of annual surpluses and deficits to date for the CRHD. The accumulated surplus or net book value of equity for the CRHD is \$20.8 million, indicating the organization has assets (financial and non-financial) of greater value than what it owes (Financial Liabilities).

The annual surplus is the net difference between revenues and expenses for the current year. In 2022, operations resulted in an annual surplus of \$20.3 million, an increase of \$1.8 million or 10% over prior year. The increase in surplus is due to the decrease in capital cost share paid to Island Health with deferral of some capital project costs to 2023.

Surplus funds are used to pay for capital and other commitments through reserve for future use and for repayment of current outstanding debt principal.

3. Other Financial Statement Analysis

Analysis of the remaining two statements and Schedule A can be found in Appendix C:

- Statement of Change in Net Debt
- Statement of Cash Flows
- Schedule A: Grants to District Hospitals

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators are relevant to CRHD's performance and financial sustainability.

4.1 Debt service costs as a percentage of revenue (Debt Service Ratio)

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD's primary mandate is to secure borrowing and provide capital contributions for health facility infrastructure, a high debt servicing ratio is expected. CRHD's debt servicing costs as percentage of revenue at December 31, 2022, is 54% (2021: 53%).

Refer to Appendix C for a comparison of CRHD to other Hospital Districts on Vancouver Island and southern British Columbia.

4.2 Current assets versus current liabilities (Current Ratio)

The current ratio is a measure of the liquidity of an organization, meaning the CRHD's ability to meet current obligations through the use of current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unexpected expenditures. The CRHD's current ratio as at December 31, 2022, is 7.3 to 1 (2021: 4.9 to 1), indicating CRHD's current assets are sufficient to pay current liabilities 7.3 times.

4.3 Interest costs as a percentage of total revenues (Interest Coverage Ratio)

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD's interest coverage ratio at December 31, 2022, is 5.6, meaning the CRHD's revenue is sufficient to repay interest expense 5.6 times (2021: 5.5)

CONCLUSION

Board approval of the CRHD 2022 Audited Financial Statements is required by the *Hospital District Act*, and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and Municipal Finance Authority. KPMG has completed the annual audit and as noted in the Auditor's Report, it is the Auditor's opinion these Financial Statements present fairly the financial position of CRHD at December 31, and the results of the financial activities for the year then ended are in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2022 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: CRHD 2022 Financial Statements
- Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2022 (KPMG)]
- Appendix C: CRHD Other Financial Statement Analysis
- Appendix D: CRHD Financial Performance Indicators

Capital Regional Hospital District 2022 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

We have audited the financial statements of the Capital Regional Hospital District (the District), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2022, and its results of operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 auditor's report.

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

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



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 District'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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District'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 the 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 District'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 District'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 auditors' report. However, future events or conditions may cause the District 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.
- 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.

Chartered Professional Accountants

Victoria, Canada
_____ 2023

Capital Regional Hospital District

MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Capital Regional Hospital District Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Hospitals and Housing Committee of the Board.

The external auditor, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2022.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 10, 2023

Statement of Financial Position

As at December 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 18,607,086	\$ 17,671,161
Investments	9,000,000	5,000,000
Accounts receivable		
Due from Capital Regional District	107,379	130,801
Other	281,085	87,423
Restricted cash - MFA Debt Reserve Fund (Note 2)	3,288,444	3,607,145
	<u>31,283,994</u>	<u>26,496,530</u>
Financial liabilities		
Accounts payable and other liabilities	3,265,947	2,447,965
Deferred revenue	366,515	367,001
Short-term debt (Note 3)	-	1,819,000
Long-term debt (Note 4)	113,972,340	128,318,806
	<u>117,604,802</u>	<u>132,952,772</u>
Net debt	(86,320,808)	(106,456,242)
Non-financial assets		
Tangible capital assets (Note 5)	107,097,097	106,903,759
Contingent liability (Note 4c and 12)		
Commitments (Note 6)		
Accumulated Surplus (Note 10)	\$ 20,776,289	\$ 447,517

The accompanying notes are an integral part of these financial statements

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2022

	Budget (Note 11)	2022	2021
Revenue			
Taxation - Municipalities	\$ 24,291,188	\$ 24,291,188	\$ 25,998,529
Taxation - Electoral Areas	2,068,029	2,068,029	2,031,625
Taxation - First Nations	101,619	101,619	108,353
Payments in lieu of taxes	834,368	834,368	879,761
Lease and other property revenue	4,393,178	4,421,133	4,420,933
Interest income	75,000	808,282	285,488
Debenture maturity refund	437,420	258,253	-
Actuarial adjustment on long-term debt	-	5,506,241	5,874,862
	32,200,802	38,289,113	39,599,551
Expenses			
Grants to district hospitals (Schedule A)	10,541,082	6,565,342	9,475,488
Interest on long-term debt	6,872,863	6,856,743	7,207,154
Interest on short-term debt	15,000	8,438	1,926
Amortization	-	3,110,364	3,084,450
Operating expenses	3,042,750	1,419,454	1,343,679
	20,471,695	17,960,341	21,112,697
Annual surplus	11,729,107	20,328,772	18,486,854
Accumulated surplus/(deficit), beginning of year	447,517	447,517	(18,039,337)
Accumulated surplus, end of year	\$ 12,176,624	20,776,289	\$ 447,517

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2022

	Budget	2022	2021
	(Note 11)		
Annual surplus	\$ 11,729,106	\$ 20,328,772	\$ 18,486,854
Acquisition of tangible capital assets	(10,905,233)	(3,303,702)	(10,278,012)
Amortization of tangible capital assets	-	3,110,364	3,084,450
Change in net debt	823,873	20,135,434	11,293,292
Net debt, beginning of year	(106,456,242)	(106,456,242)	(117,749,534)
Net debt, end of year	\$ (105,632,369)	\$ (86,320,808)	\$ (106,456,242)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 20,328,772	\$ 18,486,854
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,506,241)	(5,874,862)
Amortization	3,110,364	3,084,450
Changes in non-cash assets and liabilities:		
Accounts receivable	(193,662)	(29,377)
Accounts payable and accrued liabilities	817,982	(1,335,737)
Deferred revenue	(486)	5,486
Due from Capital Regional District	23,422	570,369
Restricted cash	318,701	298,559
Net change in cash from operating activities	18,898,852	15,205,742
Capital activities:		
Cash used to acquire tangible capital assets	(3,303,702)	(10,278,012)
Net change in cash from capital activities	(3,303,702)	(10,278,012)
Investing activities:		
Acquisition of investments	(9,000,000)	-
Proceeds from investments	5,000,000	(5,000,000)
Net change in cash from investing activities	(4,000,000)	(5,000,000)
Financing activities:		
Additions to short-term debt	-	1,819,000
Repayment of short-term debt	(1,819,000)	-
Additions to long-term debt	5,060,362	6,172,570
Repayment of long-term debt	(13,900,587)	(13,875,412)
Net change in cash from financing activities	(10,659,225)	(5,883,842)
Net change in cash and cash equivalents	935,925	(5,956,112)
Cash and cash equivalents, beginning of year	17,671,161	23,627,273
Cash and cash equivalents, end of year	\$ 18,607,086	\$ 17,671,161
Cash paid for interest	\$ 6,832,708	\$ 7,134,689
Cash received for interest	808,282	285,488

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2022

GENERAL

The Capital Regional Hospital District (the “Hospital District”) is incorporated under letters patent issued October 17, 1967. The Hospital District provides Capital Region hospitals with funding for capital project construction and the purchase of moveable equipment.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Hospital District are as follows:

a) Basis of Accounting

The Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

b) Taxation

Each Municipality, Electoral Area and First Nation within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, First Nations and the Province (for Electoral Areas) to individual taxpayers and remitted to the Hospital District by August 1 of each year.

c) Cash Equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of less than 90 days at acquisition.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life
Building and building fixtures	10 to 50 Years

Amortization is charged annually, in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

- i. Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- ii. Works of art and cultural and historic assets
Works of art and cultural and historic assets are not recorded as assets in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Interest capitalization
The Hospital District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

e) Long-Term Debt

Long-term debt is recorded net of repayments and actuarial adjustments.

f) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

g) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of land, equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Surplus.

h) Grants to District Hospitals

Government transfers including grants to district hospitals are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

i) Financial Instruments

Financial instruments are classified into two categories; fair value or cost.

- i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.
- ii. Cost category: portfolio investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Hospital District determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital District expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

j) Use Of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make 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 period. Actual results could differ from these estimates.

2. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (MFA) is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2022 is \$3,288,444 (2021: \$3,607,145)

3. SHORT-TERM DEBT

The balance of short-term debt as of December 31, 2022 is \$nil (2021: \$1,819,000). Short-term debt of \$1,819,000 was repaid in April 2022, when the interest rate was 1.13%.

4. LONG-TERM DEBT

a) Debt

Long-term debt represents gross debt borrowings of \$251,214,060 (2021: \$270,613,414) net of repayments and actuarial adjustments of \$137,241,720 (2021: \$142,294,609).

The loan agreements with the MFA provide that, if at any time the scheduled payments provided for in the agreements for the Hospital District and other authorities are not sufficient to meet the MFA's obligation in respect to such borrowings, the resulting deficiency becomes a liability of the Hospital District and other members of the MFA.

The following principal payments are payable over the next five years and thereafter:

2023	2024	2025	2026	2027	Aggregate amount after 2027
\$ 13,862,297	\$ 11,903,172	\$ 8,850,625	\$ 7,227,101	\$ 6,042,613	\$51,018,000

b) Interest Rates of Long Term Debt Borrowings Issued in the Year

2022	2021
3.07% to 3.82%	1.25% to 1.53%

The long-term debt bears interest at rates ranging from 0.91% to 3.85%. The weighted average interest rate at December 31, 2022 is 2.69% (2021: 2.56%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$8,311,279 (2021: \$8,746,511). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

5. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization				Net Book Value at
	Balance at December 31, 2021	Additions	Transfers	Balance at December 31, 2022	Balance at December 31, 2021	Amortization Expense	Balance at December 31, 2022	December 31, 2022
Work in Progress	\$ 1,985,691	-	(1,985,691)	\$ -	-	-	-	\$ -
Land	31,642,375	2,922,075	1,985,691	36,550,141	-	-	-	36,550,141
Buildings	79,437,279	381,627	-	79,818,906	6,161,586	3,110,364	9,271,950	70,546,956
	\$ 113,065,345	3,303,702	-	\$ 116,369,047	6,161,586	3,110,364	9,271,950	\$ 107,097,097

	Cost			Accumulated Amortization				Net Book Value at
	Balance at December 31, 2020	Additions	Transfers	Balance at December 31, 2021	Balance at December 31, 2020	Amortization Expense	Balance at December 31, 2021	December 31, 2021
Work in Progress	\$ -	1,985,691	-	\$ 1,985,691	-	-	-	\$ 1,985,691
Land	23,591,590	8,050,785	-	31,642,375	-	-	-	31,642,375
Buildings	79,195,743	241,536	-	79,437,279	3,077,136	3,084,450	6,161,586	73,275,693
	\$ 102,787,333	10,278,012	-	\$ 113,065,345	3,077,136	3,084,450	6,161,586	\$ 106,903,759

a) The Heights Long-Term Care Facility Site

In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for the site owned by the Hospital District at 3814 Carey Road. The land has a historical cost of \$1,913,640.

Notes to Financial Statements continued

6. COMMITMENTS

a) The Hospital District has the following approved and active capital bylaws:

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2021	Funded in Current Year (Schedule A)	Funded to December 31, 2022	Remaining Commitment	Planned Approved Funding 2023 - 2027
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -	\$ -
CBL 171	MCP 2018	20,683,223	3,750,000	3,571,989	178,011	3,750,000	-	-
CBL 173	MCP 2019	19,030,689	3,750,000	3,468,463	201,958	3,670,421	79,579	79,579
CBL 174	James Bay UPCC	5,000,000	1,500,000	669,507	2,671	672,178	-	-
CBL 176	MCP 2020	17,554,299	3,750,000	3,139,709	222,991	3,362,700	387,300	387,300
CBL 177	Victoria UPCC #1	5,000,000	1,500,000	1,203,261	2,266	1,205,527	-	-
CBL 180	MCP 2021	16,172,313	3,750,000	260,047	930,231	1,190,278	2,559,722	2,559,722
CBL 181	Esquimalt UPCC	2,954,713	886,414	490,745	159,483	650,228	-	-
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	1,169,837	76,503	1,246,340	-	-
CBL 183	Emergency Dept. Redevelopment - LMH	12,800,000	3,738,000	97,026	1,040,281	1,137,307	2,600,693	2,600,693
CBL 184	MCP 2022	9,375,000	3,750,000	-	5,006	5,006	3,744,994	3,744,994
CBL 185	High Acuity Unit – VGH	3,397,183	1,019,155	-	790,941	790,941	228,214	227,719
		\$ 119,921,059	\$ 31,848,161	\$ 14,070,584	\$ 6,565,342	\$ 20,635,926	\$ 9,600,502	\$ 9,600,007

Minor Capital Projects (MCP) are defined as projects valued between \$100,000 and \$2.0 million to sustain exiting infrastructure, replace building components and improve functionality. Major Capital Projects are defined as projects valued at greater than \$2.0 million and modify, expand/enhance or replace health service/program spaces. Island Health's Project Cost is based on their capital plan and various funders. CRHD cost shares a maximum of 30% for Major Capital project expenditures up to the approved bylaw amount. When a major or minor capital project is completed and no further claims are expected, the remaining commitment is reported as nil.

6. COMMITMENTS (continued)

b) Hospital District approved, planned, and active capital projects detailed by Hospital Facility:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2021	Funded in Current Year (Schedule A)	Funded to December 31, 2022	Remaining Commitment	Planned Approved Funding 2023 - 2027
APPROVED AND ACTIVE CAPITAL PROJECTS									
Vancouver Island Health Authority									
Multiple	2018-2022	Minor Capital	8,741,205	2,292,146	1,390,187	(38,444)	1,351,743	939,980	939,980
Sec 20(3)	2022	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
174	2020	James Bay UPCC	5,000,000	1,500,000	669,507	2,671	672,178	-	-
177	2020	Victoria UPCC #1	5,000,000	1,500,000	1,203,261	2,266	1,205,527	-	-
181	2021	Esquimalt UPCC	2,954,713	886,414	490,745	159,483	650,228	-	-
182	2021	Victoria UPCC #2	4,998,639	1,499,592	1,169,837	76,503	1,246,340	-	-
Mount St. Mary Hospital									
Sec 20(3)	2022	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2018-2022	Minor Capital	4,987,652	1,153,078	892,741	14,466	907,207	237,690	237,690
Juan de Fuca Hospital									
Multiple	2018-2022	Minor Capital	9,703,882	1,735,236	1,434,476	103,304	1,537,780	200,645	200,645
Lady Minto Hospital									
Multiple	2018-2022	Minor Capital	1,141,036	243,314	231,227	-	231,227	2,364	2,364
183	2021	Emergency Dept. Redevelopment	12,800,000	3,738,000	97,026	1,040,281	1,137,307	2,600,693	2,600,693
Queen Alexandra Hospital									
Multiple	2018-2022	Minor Capital	2,665,656	797,976	301,182	154,124	455,306	360,102	360,102
Royal Jubilee Hospital									
Multiple	2018-2022	Minor Capital	27,006,956	6,297,981	3,326,521	489,062	3,815,583	2,397,070	2,397,070
Saanich Peninsula Hospital									
Multiple	2018-2022	Minor Capital	4,212,783	1,094,632	787,991	30,960	818,951	272,516	272,516
Victoria General Hospital									
Multiple	2018-2022	Minor Capital	24,356,354	5,135,637	2,075,883	784,725	2,860,608	2,361,228	2,361,228
185	2022	High Acuity Unit	3,397,183	1,019,155	-	790,941	790,941	228,214	227,719
Total Commitments			119,921,059	31,848,161	14,070,584	6,565,342	20,635,926	9,600,502	9,600,007

b) Hospital District approved, planned, and active capital projects detailed by Hospital Facility (continued)

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2021	Funded in Current Year (Schedule A)	Funded to December 31, 2022	Remaining Commitment	Planned Approved Funding 2023 - 2027
PLANNED CAPITAL PROJECTS									
TBD	2023	New Long-Term Care – Royal Bay	223,694,000	67,108,200	-	-	-	67,108,200	67,108,200
Total Planned Capital Projects			223,694,000	67,108,200	-	-	-	67,108,200	67,108,200
Total Commitments and Planned Capital Projects			\$343,615,059	\$ 98,956,361	\$ 14,070,583	\$ 6,565,342	\$ 20,635,926	\$ 76,708,702	\$ 76,708,207

7. CONTRACTUAL OBLIGATIONS

At December 31, 2022, the Hospital District has no outstanding contractual obligations at December 31, 2022 (2021: \$2,183,438).

8. CONTRACTUAL RIGHTS

- a) The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25 year period. Lease payments commenced February 1, 2020 and are \$4,338,178 annually.
- b) The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is \$20,000.

9. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, \$883,575 (2021: \$763,651) of administrative support and project management services from the CRD, of which \$nil (2021: \$nil) was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the CRD, the Provincial and Federal governments to provide capital funding to affordable housing projects in the region. The CRD, Capital Region Housing Corporation and the Hospital District will invest a combined \$40 million towards projects. In 2018, a RHFP project management office was created to support the delivery of the program. During the year the Hospital District contributed, \$118,287 (2021: \$143,978) to the CRD, to cost share in administrative support and project management services.

10. ACCUMULATED SURPLUS

	2022	2021
<u>Surplus/(Deficit):</u>		
Other	\$ (4,773,808)	\$ (18,683,901)
Reserve funds set aside for specific purposes:		
Debt Management Reserve	3,359,413	-
Regional Housing First Program Reserve	10,383,057	10,068,435
Summit Management Reserve	891,288	533,340
Land Holdings Management Reserve	1,405,013	1,286,762
Capital Loan Fund	6,771,594	4,630,407
Hospital District Act Section 20(3) Reserve	2,739,732	2,612,474
Accumulated Surplus	<u>\$ 20,776,289</u>	<u>\$ 447,517</u>

11. BUDGET DATA

The budget data presented in these financial statements is based upon the 2022 operating and capital budgets approved by the Board on March 16, 2022. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 33,950,389
Less:	
Transfers from reserve	(1,678,252)
Prior-year surplus	(71,335)
Revenue per Financial Statements	<u>32,200,802</u>
Expense budget	33,950,389
Add:	
Grants to district hospitals	3,836,082
Less:	
Transfers to reserve	(3,360,287)
Debt principal payments	(13,954,489)
Expense per Financial Statements	<u>20,471,695</u>
Annual Surplus	<u>\$ 11,729,107</u>

12. CONTINGENT LIABILITY

From time to time, the Capital Regional Hospital District is subject to claims and other lawsuits that arise in the course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

13. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Capital Regional Hospital District has exposure to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2021.

13. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to liquidity risk exposure from 2021.

c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital District's income or the value of its holdings of financial instruments. The objective of market risk management is to control risk exposures within acceptable parameters while optimizing return on investment.

i. Foreign exchange risk:

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

There have been no significant changes to foreign exchange risk exposure from 2021.

ii. Interest rate risk:

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk in their investments as they manage this risk through its investment policy which includes restrictions on types and concentration of instruments held.

Exposure to interest rate risk in relation to debt instruments is limited to long term debt renewals and short term financing. The risk applies only to long term debt when amortization periods exceed the initial locked in term. Short term financing is subject to daily floating rates, which can result in variability over the course of short term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2021.

14. COMPARATIVE INFORMATION

Certain 2021 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

Grants to District Hospitals

For the year ended December 31, 2022

	Total grants December 31 2021	Expense 2022	Transfers to completed projects	Total grants December 31 2022
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ -	\$ -	\$ 1,770,686
Vancouver Island Health Authority	11,433,519	3,127,479	(5,908,000)	8,652,998
Gorge Road Hospital	965,881	14,466	(230,420)	749,927
Juan de Fuca Hospital	1,908,065	103,304	(155,167)	1,856,202
Lady Minto Hospital	678,242	1,040,281	(186,277)	1,532,246
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	301,181	154,124	(238,518)	216,787
Royal Jubilee Hospital	10,342,373	489,062	(1,454,818)	9,376,617
Saanich Peninsula Hospital	1,714,889	30,960	(484,395)	1,261,454
Victoria General Hospital	3,423,381	1,575,666	(718,364)	4,280,683
	<u>32,568,217</u>	<u>6,565,342</u>	<u>(9,405,959)</u>	<u>29,727,600</u>
COMPLETED PROJECTS				
Designated Health Care facilities	22,394,214	-	-	22,394,214
Vancouver Island Health Authority	80,563,323	-	5,908,000	86,471,323
Gorge Road Hospital	7,942,371	-	230,420	8,172,791
Juan de Fuca Hospital	37,655,442	-	155,167	37,810,609
Lady Minto Hospital	5,635,055	-	186,277	5,821,332
Mount St. Mary Hospital - Fairfield	15,479,545	-	30,000	15,509,545
Queen Alexandra Hospital	9,231,426	-	238,518	9,469,944
Royal Jubilee Hospital	259,776,173	-	1,454,818	261,230,991
Saanich Peninsula Hospital	20,018,153	-	484,395	20,502,548
Victoria General Hospital	99,746,518	-	718,364	100,464,882
	<u>558,442,220</u>	<u>-</u>	<u>9,405,959</u>	<u>567,848,179</u>
	591,010,438	6,565,342	-	597,575,779
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	<u>\$ 465,000,137</u>	<u>\$ 6,565,342</u>	<u>\$ -</u>	<u>\$ 471,565,478</u>

Total grants to date is cumulative since incorporation of the Hospital District in 1967



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Capital Regional Hospital District Audit Findings Report



Capital Regional Hospital District

Audit Findings Report
year ended December 31, 2022



For the meeting on May 3, 2023

kpmg.ca/audit



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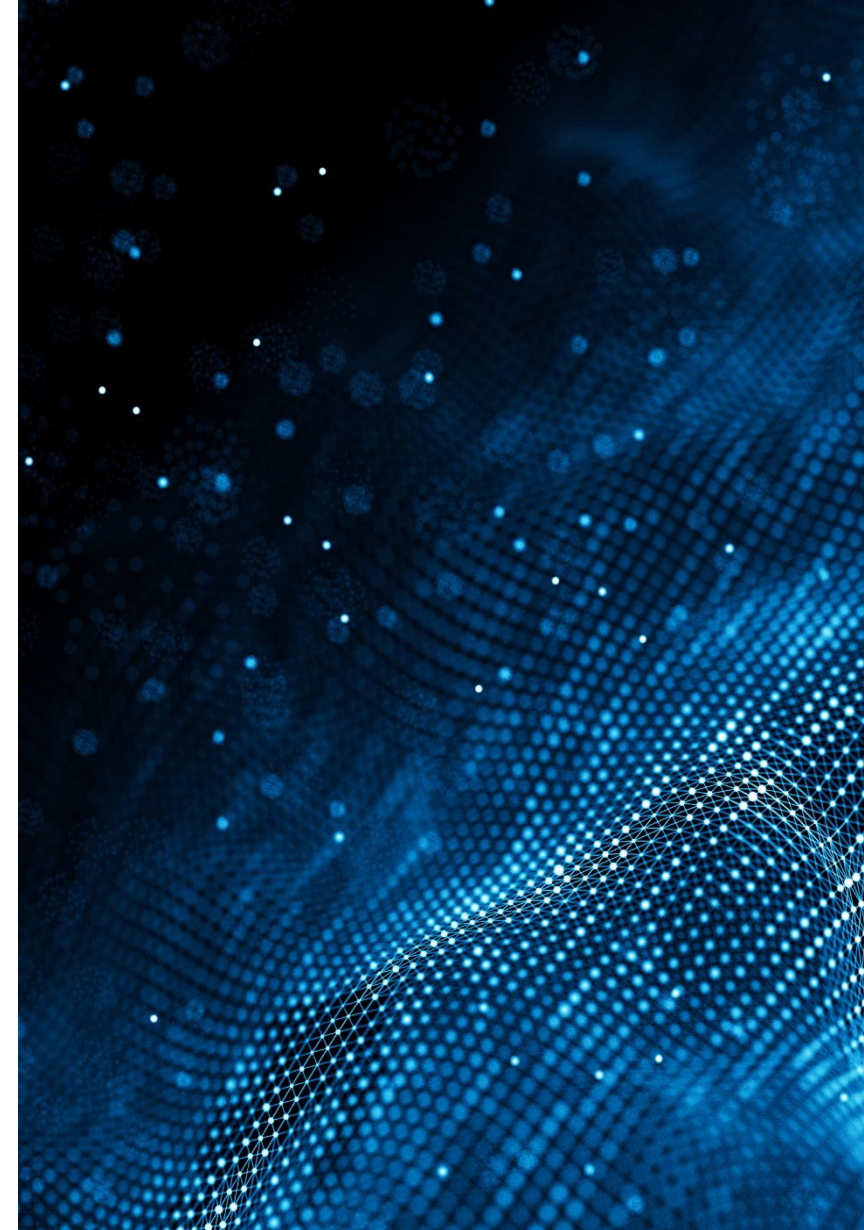


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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.



Audit highlights



Status of the audit



Audit risks and results



Misstatements



Control deficiencies and improvement observations



Additional matters



Appendices

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Hospitals and Housing Committee. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee (the “Committee”), in your review of the results of our audit of the financial statements of Capital Regional Hospital District (“CRHD” or the “District”) as at and for the year ended December 31, 2022.

Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on page 5 of this report.

Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Audit risks and results

Findings related to significant risks are discussed on page 6.

Audit risks and results – other focus areas

Findings related to other focus areas are discussed on page 7.

Uncorrected audit misstatements

Professional standards require that we request of management and the Committee that all identified audit misstatements be corrected.

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. This results in a timing difference that will decline in value over the term of the debt. The uncorrected difference results in an overstatement of debt and understatement of accumulated surplus of \$93,100 which is immaterial to the financial statements as a whole. We concur with management’s representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditor’s report.

Corrected audit misstatements

There are no matters to report.

Control deficiencies and improvement observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Significant accounting policies and practices

Findings related to significant accounting policies and practices are discussed on page 10.

Independence

As required by professional standards, we have considered all relationships between KPMG and CRHD that may have a bearing on independence. We confirm that we are independent with respect to CRHD within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2022 up until the date of this report.



Status of the audit

As of May 3, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Hospitals and Housing Committee
- Obtaining evidence of Board acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board of Directors' acceptance of the financial statements.

We will update the Committee and Board of Directors, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.



Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.



Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Significant findings

We noted no issues as a result of our testing.



Audit focus areas

We highlight findings in other areas of focus as identified in the Audit Plan as follows:



Oak Bay Lodge

In August 2020, ownership of Oak Bay Lodge was transferred from Island Health to CRHD. There are restrictive covenants in the transfer agreement, requiring CRHD use the land for “public good”, which includes not-for-profit care facilities in health or other publicly funded health care services; subsidized, supported or other public housing, shelter accommodation for homeless persons and associated health and social supports including harm reduction.

CRHD acquired the demolition permit for the property that resides on the land and demolition was completed in 2022. During 2021, a community consultation began on the future use of the land which continued into 2022. CRHD’s intention is to construct a health care facility on the land.

Our response

KPMG reviewed the Board and related committee meeting minutes for activity and commitments related to the property with financial implications.

KPMG selected a sample of costs incurred related to the demolition of the property and agreed such costs to invoices to verify their accuracy and nature related to preparation for future capital assets.

KPMG considered any indications of adjustments required to the value of the land recognized in fiscal 2020 on acquisition. No adjustments were recommended.

KPMG assessed the measurement and disclosure of activities relating to the site during the year.

Significant findings

There were no issues noted in our testing.

Uncorrected audit misstatements

Uncorrected audit misstatements include financial presentation and disclosure omissions.



Impact of uncorrected audit misstatements – Not material to the financial statements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

This results in a timing difference that will decline in value over the term of the debt. The uncorrected difference results in an overstatement of debt and understatement of accumulated surplus of \$93,100.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.



Control deficiencies and improvement observations

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to CRHD's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.



Significant accounting policies and practices



Significant accounting policies



- There were no initial selections of or changes to significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the CRHD's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.



Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.



Other audit matters

We highlight below examples of audit procedures performed including those that do not relate specifically to a transaction reported in the financial statements, but rather procedures performed to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could



Risk Assessment

- Update our understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Update our understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.

Substantive audit procedures

- Cash, investments and debt balances were confirmed with the respective financial institutions.
- A sample of capital asset additions were compared to underlying source documents. An estimate of amortization expense was compared to actual.
- A sample of payments made after year end were tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses were tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Grants to Island Health were tested for accuracy by comparing to cash payment, approved bylaw and classification by nature and facility.

Concluding and reporting

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure were evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations were discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.

Appendices

1

Other required communications

2

Management representation letter

3

Changes in accounting standards

4

Insights into your business

5

Upcoming changes to auditing standards

6

Audit and assurance insights

7

Environmental, social and governance (ESG)



Appendix 1: Other required communications



Auditors' report

Refer to the draft report attached to the financial statements.

Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



Reports to the Board of Directors

At the completion of the audit, we will provide our findings report to the Board of Directors.

Management representation letter

A copy of the management representation letter is attached.

Appendix 2: Management representation letter

KPMG LLP
Chartered Professional Accountants
St. Andrew's Square II
800-730 View Street
Victoria, BC V8W 3Y7

May 10, 2023

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Regional Hospital District (“the Entity”) as at and for the period ended December 31, 2022.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries



Appendix 2: Management representation letter (continued)

- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others

Appendix 2: Management representation letter (continued)

where such fraud or suspected fraud could have a material effect on the financial statements.

- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.



Appendix 2: Management representation letter (continued)

Misstatements:

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Ted Robbins, Chief Administrative Officer

Nelson Chan, Chief Financial Officer

Kevin Lorette, General Manager, Planning and Protective Services

Appendix 2: Management representation letter (continued)

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.



Appendix 2: Management representation letter (continued)

Attachment II – Summary of Audit Misstatements Schedule

Presented in dollars	Statement of operations effect	Statement of financial position effect		
Description of individually significant misstatements	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated surplus (Decrease) Increase
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	(\$93,100)	-	(\$93,100)	-
Total misstatements	(\$93,100)	-	(\$93,100)	-



Appendix 3: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use. • As a result of the new standard, the public sector entity will: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.

Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none">• The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.• The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.• The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.• The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none">• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.• The guideline can be applied retroactively or prospectively.



Appendix 3: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> • The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> • The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. • The proposed section includes the following: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present total assets followed by total liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. • The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix 4: Insights to enhance your business

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

[Learn more](#)

Lean in Audit

Lean in Audit™ is KPMG’s award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

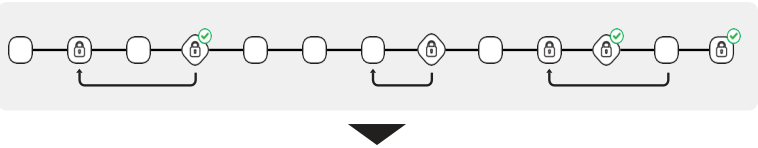
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to discussing how we can use this approach for your audit going forward.

How it works

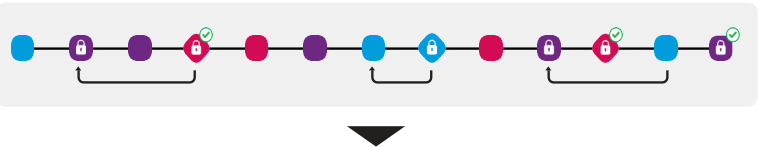
Standard Audit

Typical process and how it's audited



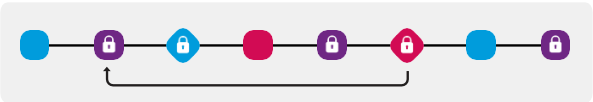
Lean in Audit™

Applying a Lean lens to perform walkthroughs and improve Audit quality and minimize risks and redundant steps



How Lean in Audit helps businesses improve processes

Make the process more streamlined and efficient for all



Value: what customers want (maximize)

Necessary: required activities (minimize)

Redundant: non-essential activities (remove)

Process controls

Key controls tested



Appendix 5: Upcoming changes to auditing standards

The International Auditing and Assurance Standards Board (IAASB) has issued three new and revised standards to strengthen and modernize the approach to quality management.

These standards address an evolving and increasingly complex environment, including a need for quality management systems that are proactive and adaptable.

	ISQM 1	ISQM 2	ISA 220 (Revised)
Scope	<ul style="list-style-type: none"> Focuses on quality management at the firm level Requires the firm to design, implement and operate a system of quality management (SoQM) to manage the quality of engagements performed by the firm Applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements 	<ul style="list-style-type: none"> Focuses on the appointment of the engagement quality (EQ) reviewer and the EQ reviewer's responsibilities relating to the performance and documentation of an EQ review Applies to audits and reviews of financial statements; and other assurance and related services engagements 	<ul style="list-style-type: none"> Focuses on quality management at the engagement level Clarifies and strengthens the key elements of quality management at the engagement level, focusing on the critically important role of the engagement partner and reinforcing the importance of quality to all members of the engagement team Applies to audits of financial statements
Effective date	Firms are required to: <ul style="list-style-type: none"> have their SoQM designed and implemented by 15 December 2022 evaluate the SoQM at least annually, and no later than 15 December 2023 for the first evaluation 	Periods beginning on or after 15 December 2022	Periods beginning on or after 15 December 2022



Appendix 5: Upcoming changes to auditing standards

KPMG Global Quality Framework – in practice

Our Global Quality Framework outlines how we deliver quality at KPMG and how every partner and staff member contributes to its delivery. Quality **value drivers** are the cornerstones of our approach underpinned by the **supporting drivers**. **Performing quality engagements** sits at the core with our commitment to continually **monitor and remediate** to fulfil these drivers.

Live our culture and values

- Foster the right culture, starting with the tone at the top
- Clearly articulate strategy focused on quality, consistency, trust and growth
- Define accountabilities, roles and responsibilities, including for leadership
- Oversee using robust governance structures

Embrace digital technology

- KPMG Clara
- Intelligent, standards-driven audit workflow
- Digital data and emerging technologies

Apply expertise and knowledge

- Methodology aligned with professional standards, laws and regulations
- Deep technical expertise and knowledge
- Quality and risk management manual
- Standardized workpapers and guidance

Nurture diverse skilled teams

- Recruit appropriately qualified and skilled people, including specialists, with diversity of perspective and experience
- Invest in data centric skills – including data mining, analysis and visualization
- Focus on learning and development on technical expertise, professional acumen and leadership skills
- Assign appropriately qualified team
- Recognize quality



Perform quality engagements

- Critically assess audit evidence, using professional judgement and skepticism
- Direct, coach, supervise and review, including second line of defense and engagement quality review
- Appropriately support and document conclusions
- Monitor engagement milestones
- Consult where necessary

Associate with the right clients and engagements

- Follow the client acceptance and continuance policies
- Accept appropriate engagements
- Manage portfolio of clients

Be independent, objective and ethical

- Act with integrity and live our values
- Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies
- Have zero tolerance of bribery and corruption

Assess risks to quality

- Identify and understand risks to delivering quality engagements and implement effective mitigating controls

Communicate effectively

- Provide insight, and maintain open and honest two-way communication
- Actively manage information flows within firms and between firms, regions and global
- Conduct and follow-up on the Global people survey
- Issue external communications, including transparency reports

Monitor and remediate

- Rigorously monitor and measure quality at the local and global level – e.g. Quality performance review
- Obtain, evaluate and act on stakeholder feedback
- Anticipate opportunities to improve quality
- Perform root cause analysis

See [KPMG International's Transparency Report](#) for more information on our approach to audit quality.

Appendix 6: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.



Appendix 7: Environmental, Social and Governance (ESG)

The Importance of Sustainability Reporting



Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies' ESG performance and transparency affecting brand acceptance and consumer demand



Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company's material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start

Appendix 7: Environmental, Social and Governance (ESG)

All companies are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on the industry-specific risks.

How might climate-related risks impact the financial statements?

**01**

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the SPPI criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

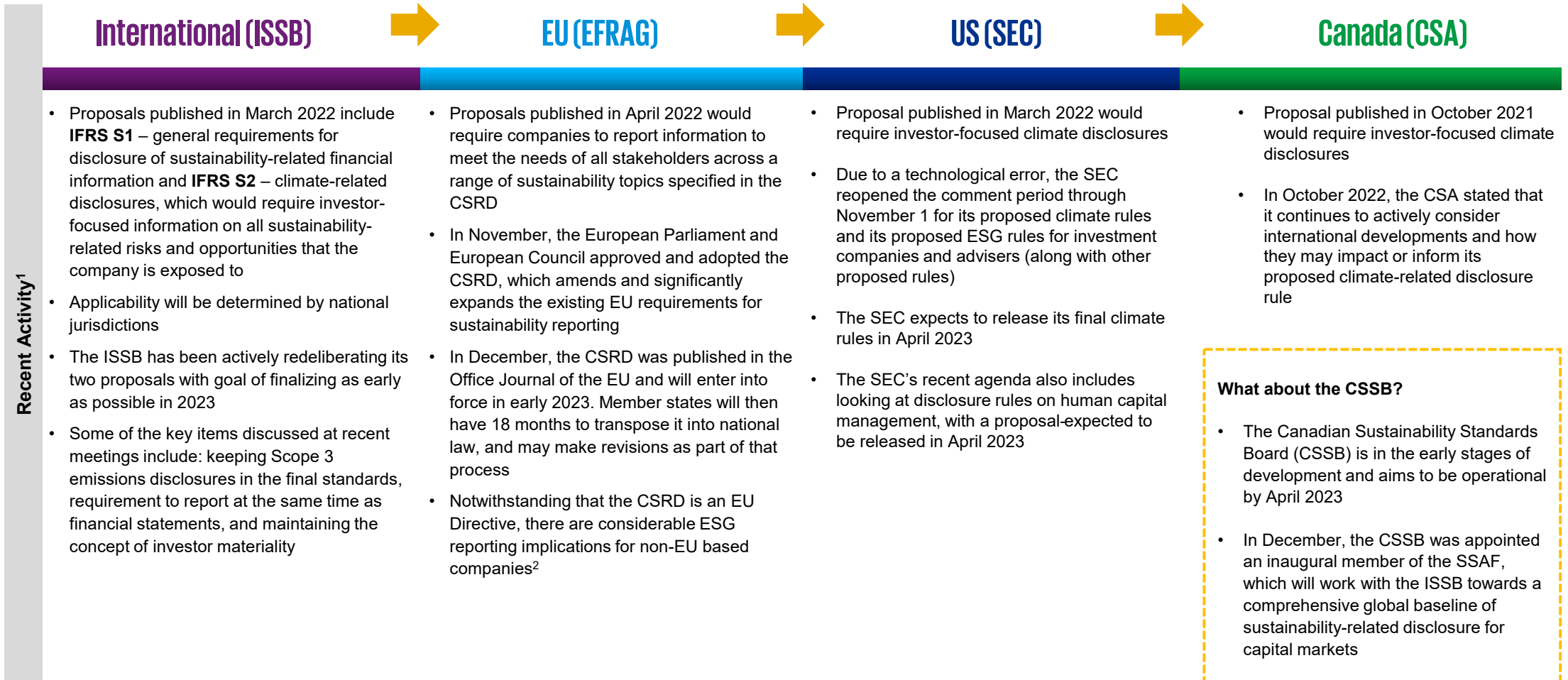


[See here for more information](#)



Appendix 7: Environmental, Social and Governance (ESG)

The Sustainability reporting journey: Regulatory update



1. Refer to our [Q4 2022 Current Developments – Spotlight on IFRS](#), [Q4 2022 Current Developments – Canadian Securities](#) and [Q4 2022 US Quarterly Outlook](#) publications for more details
 2. Refer to our publication [ESG in Europe – Requirements covering non-EU companies formally adopted](#)



Appendix 7: Environmental, Social and Governance (ESG)

ESG Discovery | Client journey



What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.



Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.



Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire
- All participate in a 3-hour ESG Discovery session
- Sponsor attends a 30-minute debrief following session with KPMG



What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions



Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.



What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help



Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization



kpmg.ca

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KPMG member firms around the world have 227,000 professionals, in 145 countries.



Capital Regional Hospital District Other Financial Statement Analysis

Appendix C: Other Financial Statement Analysis

The 2022 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

3. Statement of Change in Net Debt

The Statement of Change in Net Debt is summarized in Table 7 and is primarily designed to explain the difference between the CRHD's annual surplus reported on the Statement of Operations and the change in net debt.

Table 7 – Change in Net Debt Year over Year

Statement of Change in Net Debt (\$ millions)	2022	2021
Annual surplus	20.3	18.5
Acquisition of tangible capital assets	(3.3)	(10.3)
Amortization of tangible capital assets	3.1	3.1
Change in net debt	20.1	11.3
Net debt, beginning of year	(106.4)	(117.7)
Net debt, end of year	(\$86.3)	(\$106.4)

In 2022, the CRHD's net debt position of \$86.3 million decreased by (\$20.1) million or (19%) over prior year. The change in net debt in 2022 is due to an annual surplus of \$20.3, acquisition of tangible capital assets of \$3.3 million relating to Oak Bay Lodge demolition and Summit capital additions, less \$3.1 million in amortization.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period and Table 8 displays the total cash flow activity by category from the statement:

Table 8 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2022	2021
Operating activities	18.9	15.2
Capital activities	(3.3)	(10.3)
Investing activities	(4.0)	(5.0)
Financing activities	(10.7)	(5.9)
Net change in cash & cash equivalents	0.9	(6.0)
Cash & cash equivalents, beginning of year	17.7	23.7
Cash and cash equivalents, end of year	\$18.6	\$17.7

The net change in cash and cash equivalents in 2022 was an increase of \$0.9 million, a result of cash received from operating activities of \$18.9 million, less investment in tangible capital assets of (\$3.3) million, less cash investments of (\$4.0) million, less cash used in financing activities (\$10.7) million.

5. Schedule A: Grants to District Hospitals

Schedule A summarizes the amounts raised for capital which are approved in the annual financial plan. These include equipment cost share, major capital projects cost share and minor capital projects cost share which are cash flowed over several years. Capital contribution expenses in the year were \$6.6 million and the value of projects completed during the year was \$9.4 million. Major capital contributed to Lady Minto Emergency Department Redevelopment, Victoria General Hospital High Acuity Unit, and Urgent and Primary Care Clinics in the region.

As shown in Note 6 to the financial statements, the CRHD cost shares between 30-40% of approved project costs and the CRHD share of authorized projects at December 31, 2022, is \$31.8 million (2021: \$34.1 million).

Appendix D provides graphical presentation of the 2022 total costs shared by facility.

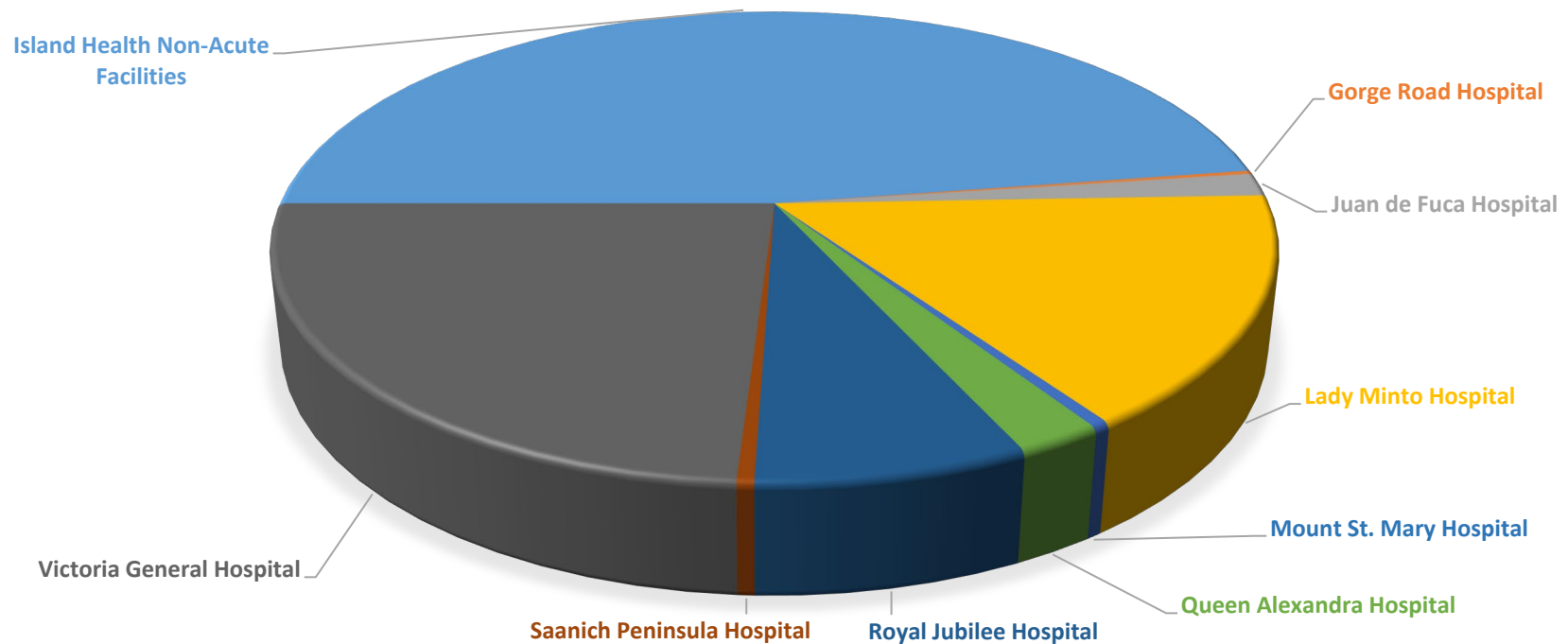
Capital Regional Hospital District Financial Performance Indicators

Appendix D: Financial Performance Indicators

1. 2022 Capital Contributions to Island Health

In 2022, the CRHD provided capital contributions to hospital facilities in the district totaling \$6.6 million. Further to the information provided in the Audited Financial Statements Note 6 and Schedule A, the distribution of 2022 total contribution expense is illustrated below, showing the relative share of total contributions received by each facility during the year. Island Health Non-Acute Facilities received contributions totaling \$3.1 million; \$2.9 million of this is attributed to the annual minor equipment cost share, which is prioritized by Island Health and distributed to health facilities in the district.

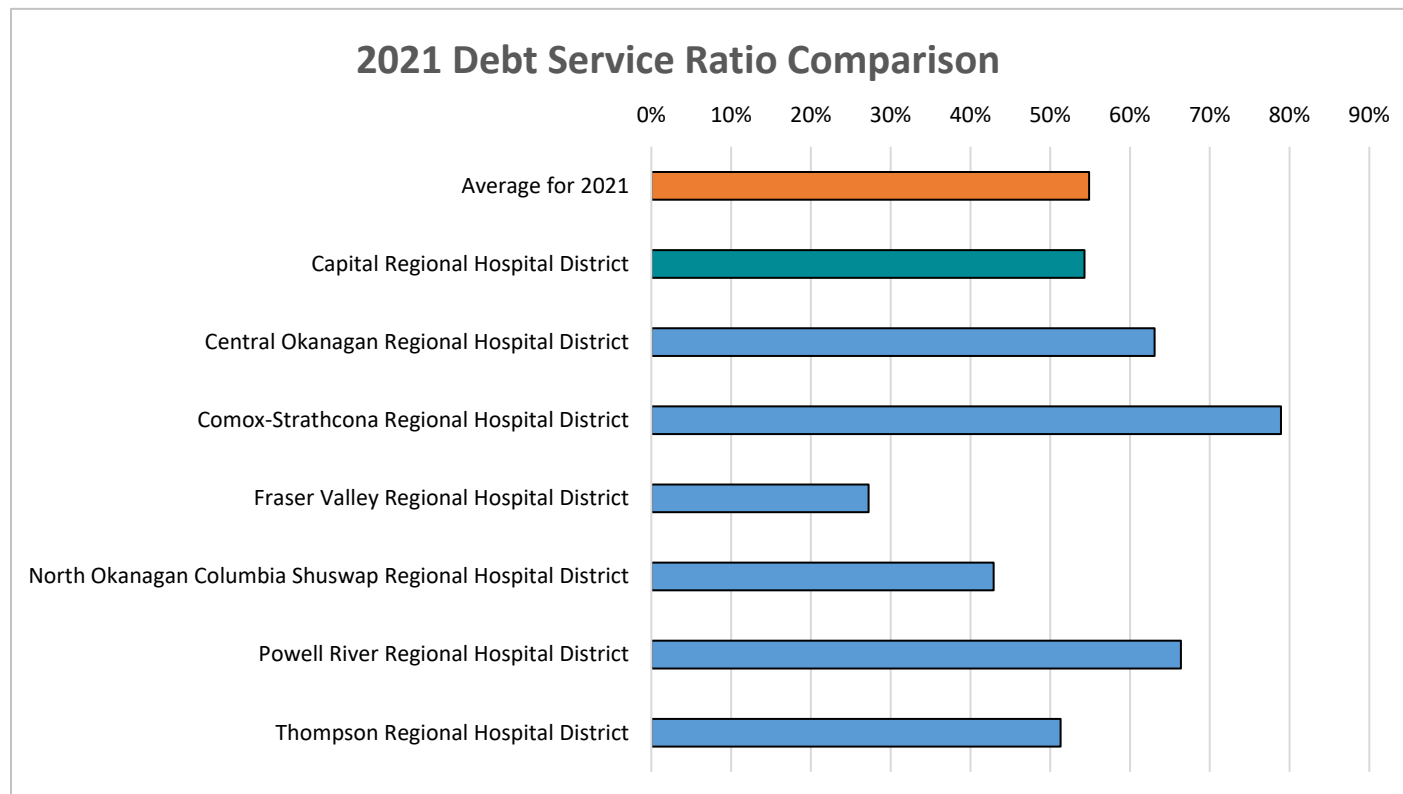
2022 CONTRIBUTIONS TO ISLAND HEALTH



2. Debt Service Ratio Comparison

Based on the 2021 financial results of other Hospital Districts on Vancouver Island and southern British Columbia, the average debt service costs as a percentage of revenue is 52%. At 54% for 2022 and 53% for 2021, the CRHD's debt service cost as a percentage of revenue is above the average for 2021. The CRHD's debt service ratio increased from the prior year as a result of net decreased revenue in 2022 primarily due to lower tax requisition.

Current year comparison data is not yet available.



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 03, 2023**

SUBJECT **Capital Region Housing Corporation 2022 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Region Housing Corporation (CRHC) 2022 Audit Findings Report and approve the Audited Financial Statements.

BACKGROUND

The CRHC is incorporated under the laws of British Columbia (BC), and its principal activity is the provision of rental accommodation. As a wholly-owned subsidiary of the Capital Regional District (CRD), the CRHC financials are consolidated in the CRD financial statements as required by Canadian Public Sector Accounting Standards (PSAS), which are governed by the Public Sector Accounting Board (PSAB).

Section 376 of the *Local Government Act* requires that annual audited financial statements be prepared for the CRHC and presented at a public Board meeting. The 2022 Financial Statements have been prepared by management in accordance with PSAB standards, including the 4200 series standards for government not-for-profit organizations. As per BC Housing Management Commission (BCHMC) operating agreements, the Board-approved financial statements must be submitted within six months of the fiscal year end (by June 30, 2023).

Under PSAB regulations, the CRHC is required to present four statements with explanatory notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Changes in Net Assets and Remeasurement Gains and Losses
4. Statement of Cash Flows

In addition to the required statements listed above, the 2022 Financial Statements include the following Schedules:

- A. Schedule of Changes in Replacement Reserve Fund
- B. Schedule of Changes in Portfolio Stabilization Reserves
- C. Schedule of Capital Assets
- D. Schedule of Capital Fund – Mortgages Payable
- E. Schedule of Operating Fund – Rental Operations

Attached as Appendix A are the CRHC 2022 audited financial statements and schedules.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and the audit results. The report confirms there were no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 11, 2023. The audit did not identify any uncorrected differences or significant control

deficiencies and the audit findings confirm the financial statements present fairly, in all material respects, the financial position of the CRHC as at December 31, 2022.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2022 Audited Financial Statements be approved.

Alternative 2

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2022 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Audit Findings Report

The Auditor's opinion is included in the financial statements in Appendix A. The Audit Findings report (Appendix B) provides the results of the KPMG audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to the CRHC Board on January 11, 2023.

Financial Statements

The Statement of Financial Position and the Statement of Operations form the basis of the audited financial statements and are similar to the Balance Sheet and Income Statement in private organizations. The CRHC financial statements are prepared and presented in accordance with Canadian PSAS.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: assets, liabilities and equity (net assets). Table 1 on the following page summarizes total asset values for 2022 and 2021.

Table 1 – Change in Assets Year over Year

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
Current Assets				
Cash & cash equivalents	10.3	7.9	2.4	30%
Accounts receivable	2.9	1.4	1.5	107%
Prepaid expenses	0.7	0.6	0.1	17%
Investments	6.5	0	6.5	100%
Total Current Assets	\$20.4	\$9.9	\$10.5	106%
Non-Current Assets				
Cash & cash equivalents (Restricted)	8.2	6.9	1.3	19%
Capital assets	217.3	188.3	29.0	15%
Total Non-Current Assets	\$225.5	\$195.2	\$30.3	16%
Total Assets	\$245.9	\$205.1	\$40.8	20%

The total assets of \$245.9 million consist of current and non-current assets. Current assets of \$20.4 million in the year represent cash and cash equivalents, accounts receivable, prepaid expenses and investments; in total, they reflect an organization's ability to meet short-term payment requirements. The increase in current assets of \$10.5 million or 106% is due primarily to increases in cash, accounts receivable and investments commensurate with increased grant revenue activity from capital construction in 2022.

Non-current assets of \$225.5 million consist of \$8.2 million in restricted cash and cash equivalents in replacement reserves, and \$217.3 million in capital assets. These assets increased by \$30.3 million, primarily due to construction at Caledonia, Michigan Square and Twenty-Seven Eighty-Two properties.

Table 2 summarizes total liabilities and the change year over year.

Table 2 – Change in Liabilities Year over Year

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
Current Liabilities				
Accounts payable	4.0	2.0	2.0	100%
Short-term capital financing	21.2	2.2	19.0	864%
Mortgage payable – current	6.8	9.9	(3.1)	(31%)
Other Liabilities	2.5	2.2	0.3	14%
Total Current Liabilities	34.5	16.3	18.2	112%
Non-Current Liabilities				
Mortgage payable – non-current	151.8	150.3	1.5	1%
Total Liabilities	\$186.3	\$166.6	\$19.7	12%

Total current liabilities of \$34.5 million is an increase of \$18.2 million or 112% over 2021 and is primarily related to the increase in short-term capital financing of \$19.0 million related to the construction of the Twenty-Seven Eighty-Two property that was converted to a mortgage in January 2023. Accounts payable increased by \$2.0 million due to the increase in construction activity.

The decrease of \$3.1 million in current mortgage payable and increase of \$1.5 million in non-current mortgage payable (net decrease of \$1.6 million) is primarily driven by \$4.5 million of new debt at Royal Oak Square. This refinancing was used to contribute equity towards the Michigan Square redevelopment. The refinancing was offset by \$6.1 million in repayments in all other mortgages.

Appendix C provides a detailed summary of variances year-over-year greater than \$0.15 million and 10% on the Statement of Financial Position. The threshold is relative to the size and particular operations of the entity.

2. Statement of Operations

The Statement of Operations reports annual financial activities by fund, summarizing revenues less expenses. Table 3 details revenue by source with a year-over-year comparison.

Table 3 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2022	2021	\$ Change	% Change
Revenue				
Tenant rent contributions	21.2	18.5	2.7	15%
Government capital contributions	18.3	5.9	12.4	210%
Other revenue	4.4	4.1	0.3	7%
Total Revenue	\$43.9	\$28.5	\$15.4	54%

Revenue from all sources totaled \$43.9 million in 2022, an increase of \$15.4 million or 54%. The increase is driven by increased rent of \$2.7 million due to full-year annualized rents at new properties and increased government capital contributions of \$12.4 million due to grants for the Caledonia, Michigan square, and Twenty-Seven Eighty-Two projects.

Table 4 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2022	2021	\$ Change	% Change
Expenses				
Building operating & admin expenses	10.0	9.4	0.6	6%
Insurance	1.3	1.1	0.2	18%
Amortization	7.4	7.1	0.3	4%
Interest Expense	3.6	3.3	0.3	9%
Total Expenses	\$22.3	\$20.9	\$1.4	7%

Expenses totaled \$22.3 million in 2022, an increase of \$1.4 million or 7%, consistent with the volume of new units at Twenty-Seven Eighty-Two and rent up of Hockley House (completed in 2021).

Appendix D provides a detailed summary of the variances year-over-year greater than \$0.15 million and 10% on the Statement of Operations.

3. Other Financial Statement Analysis

Appendix E provides summaries and analysis of the remaining statements and schedules:

- Statement of Changes in Net Assets and Remeasurement Gains and Losses
- Statement of Cash Flows
- Schedules A to E

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used to evaluate the overall financial health of the entity. The following indicators are relevant to CRHC performance and financial sustainability:

4.1 Mortgage Debt Servicing Costs as a Percentage of Rental Housing Fund Revenue

Debt servicing costs include principal retirement and interest charges made in the current fiscal year. The ratio of mortgage debt servicing costs as a percentage of total tenant rental revenue can demonstrate the amount committed to annual debt servicing and the remaining amount available for discretionary operational expenditures and rent adjustments. In 2022, mortgage debt service costs were 40% of Rental Housing Fund revenue (2021: 42%). The decrease is due to one mortgage maturing during the year. Over time, as revenues increase, the ratio decreases, and service flexibility increases because fewer operating resources are committed to the financial obligations.

4.2 Principal and Interest as a Proportion of Debt Servicing Costs

Principal and interest are the main components of a mortgage. Principal refers to the amount of money borrowed from the lender, while interest refers to the cost of borrowing. At the beginning of the mortgage term, more interest than principal is paid. In 2022, of the total mortgage debt servicing costs, 63% were attributed to principal payments (2021: 64%) due to higher interest rates on renewed mortgages.

4.3 Contributions to Reserves as a Percentage of Total Revenue

Each building makes annual contributions to their Replacement Reserve Fund (RRF) which are required to fund future planned replacement of items. In 2022, contributions to the RRF were based on a calculation of \$173/unit per month and resulted in a contribution level of 12.2% (2021: 13.6%) of rental income. Contribution metrics and funding levels are a requirement of BCHMC operating agreements which informs the contributions across all building portfolios.

Additional Data and Analytics in the Audit Findings Report (Appendix B, pages 19–23):

- Current Ratio
- Capital Investment Funded by Debt
- Debt Service Cost to Total Revenue
- Investment in Capital over Amortization
- Reserve Balances

The audited statements are ready for approval. Board-approved financial statements are required to be consolidated with the CRD financial statements and filed with BCHMC.

CONCLUSION

Board approval of the CRHC 2022 Audited Financial Statements is required under the *Local Government Act*, *BC Business Corporations Act*, BCHMC operating agreements and mortgage agreements. As noted in the Auditors' Report, it is the Auditors' opinion that these Financial Statements present fairly the consolidated financial position of the CRHC as of December 31, 2022, and the results of financial activities for the year then ended in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2022 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

Appendix A: CRHC 2022 Financial Statements
Appendix B: CRHC 2022 Audit Findings Report
Appendix C: CRHC 2022 Detailed Variance Analytics (Statement of Financial Position)
Appendix D: CRHC 2022 Detailed Variance Analytics (Statement of Operations)
Appendix E: CRHC 2022 Other Financial Statement Analysis

Capital Region Housing Corporation 2022 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2022

CRHC
Capital Region Housing Corporation

Capital Region Housing Corporation

Financial Statements

December 31, 2022

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December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of the Capital Region Housing Corporation

Opinion

We have audited the financial statements of the Capital Region Housing Corporation (the Corporation), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets and remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, and its results of operations, its changes in net assets and remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 auditor's report.

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 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 the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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.
- 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.
- 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.

Chartered Professional Accountants

Victoria, Canada
_____ 2023

Capital Regional District Capital Region Housing Corporation

MANAGEMENT REPORT

The Financial Statements contained in this Statement of Financial Information under the Financial Information Act have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditor, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2022.

On behalf of Capital Regional District and Capital Region Housing Corporation,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 10, 2023

Capital Region Housing Corporation

Statement 1

Statement of Financial Position

As at December 31, 2022

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 10,350,289	\$ 7,872,078
Accounts receivable	2,887,911	1,374,220
Prepaid expenses	697,314	628,182
Investments	6,500,000	-
	20,435,514	9,874,480
Cash and cash equivalents restricted for replacement reserve (Note 2)	8,168,045	6,900,663
Capital assets (Note 3 and Schedule C)	217,260,292	188,330,922
	\$ 245,863,851	\$ 205,106,065
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	4,014,200	2,062,933
Accrued mortgage interest	336,975	326,483
Due to Capital Regional District	425,418	80,748
Deferred revenue	591,704	701,750
Security deposits	1,141,108	1,034,183
Short-term capital financing (Note 4)	21,157,445	2,151,025
Mortgages payable principal current portion (Schedule D)	6,213,290	6,151,134
Mortgages payable principal renewal portion (Note 5 and Schedule D)	595,492	3,747,610
	34,475,632	16,255,866
Mortgages payable (Note 5 and Schedule D)	151,795,738	150,343,987
Capital stock (Note 6)	1	1
Net assets:		
Invested in capital assets (Note 7)	46,108,390	26,879,486
Externally restricted (Note 8)	12,127,169	10,076,031
Internally restricted (Note 8)	1,126,460	1,003,312
Unrestricted: Corporation stabilization reserve (Note 9)	865,527	664,933
	60,227,546	38,623,762
Accumulated remeasurement losses	(635,066)	(117,551)
	59,592,480	38,506,211
Commitments and contingencies (Note 10)		
Subsequent event (Note 13)		
	\$ 245,863,851	\$ 205,106,065

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

Statement of Operations

For the Year Ended December 31, 2022

	Operating Funds		Restricted Funds			
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Total 2022	Total Recast 2021 (Note 14)
Revenues:						
Tenant rent contributions	\$ -	\$21,246,546	\$ -	\$ -	\$ 21,246,546	\$ 18,482,139
BCHMC rent subsidy assistance	-	302,636	-	-	302,636	330,338
BCHMC umbrella operating agreement funding	-	2,760,874	-	-	2,760,874	2,858,390
Rental management fees - third parties	81,139	-	-	-	81,139	79,548
Investment income	151,529	-	-	378,407	529,936	212,091
Guest suites, net	4,371	-	-	-	4,371	(1,096)
Miscellaneous	27,895	247,652	-	-	275,547	226,598
Project management fees	411,000	-	-	-	411,000	361,732
Government contributions (Note 10d)	-	-	18,336,829	-	18,336,829	5,929,330
	675,934	24,557,708	18,336,829	378,407	43,948,878	28,479,070
Expenses:						
Administration and property management	3,280,235	-	-	-	3,280,235	2,599,269
Amortization	-	-	7,359,920	-	7,359,920	7,140,382
Property taxes	-	4,500	-	-	4,500	28,751
Insurance	-	1,267,119	-	-	1,267,119	1,139,572
Maintenance	-	1,625,882	-	-	1,625,882	1,231,145
Caretakers	-	1,797,648	-	-	1,797,648	1,789,881
Landscape	-	402,165	-	-	402,165	409,285
Electricity	-	342,902	-	-	342,902	402,265
Land and improvement leases	-	299,474	-	-	299,474	294,000
Water	-	1,415,924	-	-	1,415,924	1,309,824
Oil and gas	-	246,876	-	-	246,876	174,264
Garbage	-	338,958	-	-	338,958	312,005
Rental management fee	(2,807,698)	2,807,698	-	-	-	-
Audit and legal	-	33,600	-	-	33,600	33,642
Miscellaneous	-	34,425	-	-	34,425	33,580
Hospitality services (Parry Place)	-	321,584	-	-	321,584	298,093
Interest on mortgages payable	-	3,573,882	-	-	3,573,882	3,282,707
Loss on disposal of capital assets	-	-	-	-	-	437,439
	472,537	14,512,637	7,359,920	-	22,345,094	20,916,104
Excess of revenues over expenses	\$ 203,397	\$10,045,071	\$ 10,976,909	\$ 378,407	\$ 21,603,784	\$ 7,562,966

See accompanying notes to the financial statements.

Statement of Changes in Net Assets & Remeasurement Gains & Losses

For the Year Ended December 31, 2022

	Operating Funds		Restricted Funds					
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Remeasurement Gains / (Losses)	Total 2022	Total 2021	
Net assets, beginning of year	\$ 828,687	\$ 4,014,932	\$ 26,879,486	\$ 6,900,657	\$ (117,551)	\$ 38,506,211	\$ 31,196,762	
Excess of revenues over expenses	203,397	10,045,071	10,976,909	378,407	-	21,603,784	7,562,966	
Interfund transfers:								
Mortgage principal repayments	-	(6,145,126)	6,145,126	-	-	-	-	
Replacement reserve transfers	-	(2,995,850)	-	2,995,850	-	-	-	
Replacement reserve expenditures	-	-	2,106,869	(2,106,869)	-	-	-	
	-	(9,140,976)	8,251,995	888,981	-	-	-	
Unrealized loss on investments	-	-	-	-	(517,515)	(517,515)	(253,517)	
Net assets, end of year	\$ 1,032,084	\$ 4,919,027	\$ 46,108,390	\$ 8,168,045	\$ (635,066)	\$ 59,592,480	\$ 38,506,211	

See accompanying notes to the financial statements.

Statement of Cash Flows

For the Year Ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 21,603,784	\$ 7,562,966
Items not involving cash:		
Amortization	7,359,920	7,140,382
Loss on disposal of capital assets	-	437,439
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	(1,513,691)	(731,334)
(Increase) in inventory and prepaid expenses	(69,132)	(86,849)
Increase in accounts payable and accrued liabilities	1,951,267	1,048,385
Increase in accrued mortgage interest	10,492	116,519
(Decrease) in deferred revenue	(110,046)	(2,258)
Increase in security deposits	106,925	238,902
Increase (decrease) due to Capital Regional District	344,670	(23,706)
Net change in cash from operating activities	29,684,189	15,700,446
Investing activities:		
(Increase) in restricted cash and cash equivalents	(1,784,897)	(1,219,730)
(Increase) in investments	(6,500,000)	-
Net change in cash from investing activities	(8,284,897)	(1,219,730)
Capital activities:		
Acquisition of capital assets	(36,289,290)	(34,823,395)
Net change in cash from capital activities	(36,289,290)	(34,823,395)
Financing activities:		
Repayment of mortgages payable	(6,138,211)	(6,473,745)
Proceeds from long term debt	4,500,000	86,853,066
Repayment of short term debt	(2,151,025)	(61,277,457)
Proceeds from short term debt	21,157,445	2,151,025
	17,368,209	21,252,889
Net change in cash and cash equivalents	2,478,211	910,210
Cash and cash equivalents, beginning of year	7,872,078	6,961,868
Cash and cash equivalents, end of year	\$ 10,350,289	\$ 7,872,078

See accompanying notes to the financial statements.

Capital Region Housing Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2022

General

The Capital Region Housing Corporation (the "Corporation") is incorporated under the laws of British Columbia and its principal activities include the acquisition, construction, and provision of rental accommodation. As a wholly owned subsidiary of the Capital Regional District ("CRD"), the Corporation is exempt from taxation under the Income Tax Act and is regarded as a municipality for GST purposes.

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

a. Revenue Recognition

The Corporation follows the restricted fund balance method of accounting for contributions. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year to which the funding relates. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable.

b. Fund Accounting

i. Operating Funds

The Operating Funds reflect the Corporation's assets, liabilities and transactions relating to the ongoing rental and non-rental operations ("Corporation"). In accordance with the agreements with British Columbia Housing Management Commission (BCHMC), a Portfolio Stabilization Reserve has been established for each portfolio's accumulated operating surplus. The Corporation has also established a reserve for the No Operating Agreement portfolio. These reserves are used in the event that annual rental revenues and government subsidies are inadequate to meet the portfolio's mortgage payments and operating costs. The Corporation can also contribute funds from these reserves to the Replacement Reserve Fund, if required. At the discretion of the Board, the unrestricted Corporate Stabilization Reserve provides funding for administration and special projects. The Corporation allocates administration and property management costs incurred in the Corporation Operating Fund to the Rental Housing Operating Fund through Rental management fees.

ii. Capital Fund

The Capital Fund reflects the Corporation's investment in capital assets and related financial activities.

1. Significant Accounting Policies (continued)

b. Fund Accounting (continued)

iii. Replacement Reserve Fund

A Replacement Reserve Fund has been established for each building to pay for the replacement of worn-out capital equipment and other approved items. The Replacement Reserves are funded by an annual transfer from the Rental Housing Operating Fund. Capital expenditures made from the reserve are transferred to the Capital Fund.

c. Capital Assets

Land, buildings, equipment and vehicles are stated at cost. Amortization is charged upon the asset becoming available for productive use in the year of acquisition. Amortization over their estimated useful lives is provided on the straight-line basis at the following rates:

Asset	Rate
Prepaid leases	29-60 Years
Buildings	35 Years
Equipment	10 Years
Vehicles	5 Years

All transfers from the Replacement Reserve Fund and office equipment are stated at cost and amortization is taken on the declining balance basis at 20% per annum.

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

d. Debt Retirement

Payment of principal on long-term debt is funded by a transfer from the Rental Housing Operating Fund to the Capital Fund.

1. Significant Accounting Policies (continued)

e. Operating Agreements

i. Umbrella

Effective April 1, 2012, the Corporation signed a thirty-three month Interim Umbrella Operating Agreement (the “Umbrella Agreement”) with BCHMC to consolidate three operating agreements to reduce administrative duplication, allow the Corporation more flexibility to determine priorities for the portfolio maintenance and management and create a stable and predictable funding stream for the Corporation. In addition, the parties agreed to work together to develop a long-range capital planning tool to enable the Corporation and BCHMC to determine the capital replacement needs of the portfolio for the next thirty years and to negotiate on the transfer of the land ownership of the BCHMC projects from the Provincial Rental Housing Corporation to the Corporation. The final agreement was signed on December 2, 2014 with an effective date of January 1, 2015, for a five year term, and was renewed in December 2019 for an additional five year term ending 2024.

Effective August 17, 2020, the Umbrella Agreement was modified to remove three properties, Portage Place, Campus View Court, and Royal Oak Square, whose mortgages had matured and which were originally part of the CMHC Agreement described below. The properties were moved to the CRHC No Operating Agreement portfolio and their corresponding Replacement Reserve balances were moved to the CRHC No Operating Agreement Replacement Reserve. No transfers were made between Portfolio Stabilization Reserves. As a result of this change, the Umbrella Agreement now contains 39 buildings and 1,142 units.

Except as modified by the Umbrella Agreement, all provisions of the original three operating agreements with CMHC, BCHMC and Homes BC will continue to apply to each project in the portfolio.

a) CMHC

Prior to April 1, 2012 the Corporation had entered into agreements with CMHC pursuant to Section 95 (formerly Section 56.1) of the National Housing Act whereby CMHC will provide mortgage assistance grants to the Corporation that reduce interest costs to not less than 2% on all mortgages payable. As of January 1, 2005 when a mortgage loan is renewed the mortgage assistance grants shall increase or decrease by the same dollar amount as the monthly loan payment of principal and interest changes.

b) BCHMC

Prior to April 1, 2012 the Corporation had entered into agreements with BCHMC whereby BCHMC, on behalf of the Provincial and Federal governments, will provide rent subsidy assistance equal to the BCHMC approved difference between tenant rent contributions and BCHMC defined economic rents.

1. Significant Accounting Policies (continued)

e. Operating Agreements (continued)

i. Umbrella (continued)

c) Homes BC Program

Prior to April 1, 2012 the Corporation had entered into agreements with BCHMC under the unilaterally funded Homes BC Program. The Provincial Government agrees to provide rent subsidy assistance for Rent Geared to Income (RGI) units (approximately 60% of total units) based on the difference between the tenant rent contribution and the approved economic rents. The Province also agrees to provide Repayable Assistance equal to the difference between the economic and the approved low-end of market rents for the remaining units.

ii. Independent Living BC II Program

The Corporation has entered into an agreement with BCHMC under the unilaterally funded Independent Living BC II Program. The Provincial Government agrees to provide subsidy assistance for shelter and defined hospitality costs based on the difference between seventy percent (70%) of the residents' net income and the approved operating budget.

iii. Regional Housing First Program

The Regional Housing First Program (RHFP) is a partnership between the Provincial and Federal governments and the CRD to provide one-time capital funding to affordable housing projects in the region. The Corporation has entered into a 40-year agreement with BCHMC on behalf of the RHFP whereby the Corporation provides shelter-rate and affordable rents to low and moderate income tenants. No other financial contribution is received to subsidize the ongoing operation of the buildings.

iv. Investment in Housing Innovation Program

The Corporation has entered into a 40-year agreement with BCHMC under the Investment in Housing Innovation (IHI) program. Capital funding was provided in the form of a forgivable loan to facilitate the construction of the Westview building. No other financial contribution is received to subsidize the ongoing operation of the building.

v. Community Housing Fund

The Corporation has entered into a 60-year agreement with BCHMC under the Community Housing Fund (CHF) program. Capital funding was provided in the form of a forgivable loan to facilitate the construction of the Twenty-Seven Eighty-Two building. An operating subsidy is provided as approved in the annual building operating budget.

vi. CRHC No Operating Agreement

This category includes buildings that receive no mortgage assistance or rent subsidy assistance. Tenant rent contributions are determined by the Corporation.

1. Significant Accounting Policies (continued)

f. Allocation of Investment Income

Funds available for investment are pooled and interest revenue is allocated to restricted funds at the rate of average prime plus 0.78% (2021: average prime minus 0.45%).

g. Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, bonds, bond funds, and equity instruments that are quoted in an active market are subsequently reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any other such financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

h. Use of Estimates

The preparation of the financial statements requires management to make 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 revenue and expenses during the year. Significant estimates and assumptions include amortization of capital assets. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash equivalents have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments. Included in cash and cash equivalents are investments in the Municipal Finance Authority of British Columbia (MFA) Short Term Bond Funds. See Schedule A for details of cash and cash equivalents restricted for replacement reserve.

At December 31, 2022, there is \$4,430,279 (2021: \$0) of cash and cash equivalents from mortgage proceeds restricted in use to finance capital improvements or construction of new properties.

3. Capital Assets

December 31, 2022	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	134,951,377	11,658,345	123,293,032
Buildings	161,021,997	85,336,007	75,685,990
Equipment and other	41,784,069	32,998,852	8,785,217
	\$ 347,253,496	\$ 129,993,204	\$ 217,260,292

December 31, 2021	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	134,951,377	9,393,601	125,557,776
Buildings	126,839,572	82,189,887	44,649,685
Equipment and other	39,677,202	31,049,794	8,627,408
	\$ 310,964,204	\$ 122,633,282	\$ 188,330,922

4. Short-term capital financing

Short term capital financing of \$21,157,445 (2021: \$2,151,025) is provided by BCHMC at a variable rate based on that charged to them by the Ministry of Finance plus an administrative spread. The short term debt is converted to a long term mortgage at the completion of each construction project. In 2022, \$2,151,025 short term capital financing was forgiven and recorded in Government contributions on the Statement of Operations.

5. Mortgages Payable

Pursuant to Section 5 of the National Housing Act, CMHC has undertaken to insure all mortgages payable by the Corporation except the mortgages on Village on the Green and Vergo. As additional security, the mortgagors hold chattel mortgages and assignments of rent.

Principal due within each of the next five years on these mortgages is as follows:	Assuming no mortgage renewal	Assuming mortgage renewal
2023	\$ 6,808,782	\$ 6,189,329
2024	13,986,779	6,030,185
2025	8,361,554	5,591,576
2026	6,135,450	5,375,345
2027	\$ 4,053,990	\$ 5,220,773

5. Mortgages Payable (continued)

See Schedule D for details of interest rates, renewal dates, and maturity dates of mortgages. Mortgage renewal amounts are calculated based on existing rates and do not consider current prevailing market rates.

6. Capital Stock

Authorized capital: 2,000 shares with par value of \$1 each

Issued capital: 1 share of \$1 par value, owned by the Capital Regional District.

7. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	December 31, 2022	December 31, 2021
Capital assets	\$ 217,260,292	\$ 188,330,922
Accounts receivable	2,347,762	1,106,873
Interfund due (to)/from rental housing operating fund	1,832,022	(164,553)
Restricted cash	4,430,279	-
Mortgages payable	(158,604,520)	(160,242,731)
Short-term capital financing	(21,157,445)	(2,151,025)
	\$ 46,108,390	\$ 26,879,486

8. Restricted Net Assets

Externally restricted net assets:

	December 31, 2022	December 31, 2021
Replacement reserve fund	\$ 8,168,045	\$ 6,900,657
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
Portfolio stabilization reserve - umbrella agreement	3,410,606	2,914,641
Portfolio stabilization reserve - ILBC2 agreement	(107,961)	(62,637)
Portfolio stabilization reserve - RHFP agreement	265,650	38,150
Portfolio stabilization reserve - IHI	389,301	289,169
Portfolio stabilization reserve - CHF	5,477	-
	\$ 12,127,169	\$ 10,076,031

8. Restricted Net Assets (continued)

Internally restricted net assets:

	December 31, 2022	December 31, 2021
Portfolio stabilization reserve - no operating agreement	\$ 959,903	\$ 839,558
Guest suite surplus	39,701	35,330
Vehicle replacement reserve	101,204	96,476
Equipment replacement reserve	25,652	31,948
	\$ 1,126,460	\$ 1,003,312

Rental housing operating fund balance:

	December 31, 2022	December 31, 2021
Portfolio stabilization reserve - umbrella agreement	\$ 3,410,606	\$ 2,914,641
Portfolio stabilization reserve - ILBC2 agreement	(107,961)	(62,637)
Portfolio stabilization reserve - RHFP agreement	265,650	38,150
Portfolio stabilization reserve - IHI agreement	389,301	289,169
Portfolio stabilization reserve - CHF agreement	5,477	-
Portfolio stabilization reserve - no operating agreement	959,903	839,558
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
	\$ 4,919,027	\$ 4,014,932

The Portfolio stabilization reserves are detailed in Schedule B.

9. Unrestricted Net Assets

Unrestricted net assets - corporation stabilization reserve:

	December 31, 2022	December 31, 2021
Operating net assets, ending balance	\$ 1,032,084	\$ 828,687
Less: Internally restricted net assets		
Guest suite surplus	(39,701)	(35,330)
Vehicle replacement reserve	(101,204)	(96,476)
Equipment replacement reserve	(25,652)	(31,948)
	\$ 865,527	\$ 664,933

10. Commitments and Contingencies

a. Related Party Transactions

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a 60-year prepaid land lease at 625 Superior Street from the CRD at the agreed upon price of \$525,000 which was recognized as an acquisition in the Corporation Capital Fund. In 2017, the Corporation committed to a 60-year land lease at 3816 Carey Road from the CRD for one dollar, with the land use restricted to affordable housing. In 2021, the Corporation committed to a 60-year land lease at 2782 Spencer Road from the CRD for ten dollars, with the land use restricted to affordable housing.

In 2018, a RHFP project management office was created to support the delivery of the Program. During the year the Corporation contributed \$27,538 (2021: \$64,790) to the CRD, to cost share in administrative support and project management services.

On January 25, 2019, as part of the RHFP, the CRD purchased Millstream Ridge and entered into a 60-year prepaid lease in the amount of \$33,250,194 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On November 2, 2020, as part of the RHFP, the CRD purchased West Park and entered into a 60-year prepaid lease in the amount of \$29,430,822 and a 25-year operator agreement with the Corporation. The CRD's Regional Housing Trust Fund provided a capital grant to the Corporation in the amount of \$660,000 for this project. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On November 20, 2020, as part of the RHFP, the CRD purchased Spencer Close and entered into a 60-year prepaid lease in the amount of \$28,419,513 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On March 22, 2021, as part of the RHFP, the CRD purchased Hockley House and entered into a 60-year prepaid lease in the amount of \$23,807,370 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

b. Sublease of Kings Place Housing Development

The Corporation entered into agreement with the Cridge Housing Society and the Provincial Rental Housing Corporation to sublease the land and improvements at 1070 Kings Road, Victoria for a term of thirty years commencing August 1, 1997. The Homes BC Program Operating Agreement was assigned to the Corporation from the Cridge Housing Society with the approval of the BCHMC. Current annual lease payments amount to \$244,137 and are based on the annual mortgage payments.

c. Building Envelope Remediation (BER)

Prior to the signing of the Umbrella Agreement in 2012, BCHMC provided funding for building envelope failure remediation for BCHMC and Homes BC buildings. BCHMC may require repayment of certain BER subsidies. Repayment would be funded by second mortgages. Funding for future BER for all buildings except No Operating Agreement buildings is subject to future negotiations with BCHMC. In 2014, BCHMC entered into an agreement with the Corporation to fund the Heathers BER with a 35-year forgivable mortgage of \$1,258,358.

10. Commitments and Contingencies (continued)

d. Government Contributions

The Corporation has received funding to develop affordable housing units through forgivable loans. If the developments funded are not used for their approved purpose by the grantor, the loan will become repayable.

11. Pension Liability

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula.

As at December 31, 2021, the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 58 contributors from the Corporation.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Corporation's employer contributions to the Plan for the fiscal year ended December 31, 2022 were \$258,786 (2021: \$266,976). The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

12. Financial Risks and Concentration of Risk

a. Credit risk

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable, cash, and cash equivalents, and investments. The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2022 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2022 is \$0 (2021: \$0). There have been no significant changes to the credit risk exposure from 2021.

b. Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. The contractual maturities of mortgages payable are disclosed in Note 5. There have been no significant changes to the liquidity risk exposure from 2021.

c. Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

i. Foreign exchange risk:

The Corporation does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk. There have been no significant changes to foreign exchange risk exposure from 2021.

12. Financial Risks and Concentration of Risk (continued)

- c. Market risk: (continued)
 - ii. Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

The Corporation holds cash equivalents in MFA Short Term Bond Fund where changes in fair value have parallel changes in unrealized gains or losses until realized on disposal.

The Corporation's mortgage interest rates are fixed and are subject to interest rate risk upon renewal. The interest rate risk is mitigated by the subsidy assistance received for most properties from BCHMC and CMHC, which is based on mortgage principal and interest payments. At December 31, 2022, there are eight properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Royal Oak Square, Millstream Ridge, Westview, Spencer Close, West Park, and Hockley House. These properties will be subject to interest rate risk upon renewal.

13. Subsequent Events

Subsequent to December 31, 2022, the short-term capital financing provided by BCHMC to construct the building at Twenty-Seven Eighty-Two was converted to 35-year mortgage financing at a fixed interest rate of 3.71% for a 10-year term with an initial principal balance of \$13,933,727.

On April 17, 2023, the Corporation entered into a 60-year, \$12,289,721 lease agreement and a 35-year operating agreement with the CRD for the Prosser Place property. The Corporation obtained short-term financing from BCHMC to fund the prepaid lease and the financing will be converted to a 35-year mortgage when it is placed with a lender.

14. Comparative Information

2021 comparative information on the statement of operations has been recast to reflect a change in the presentation of rental management fees adopted for the current year. Rental management fees, which reflect the allocation of administration and property management costs between the Corporate Operating Fund and the Rental Housing Fund, are presented in the same caption on the statement of operations. Total revenue and total expenses decreased by \$2,426,020 as a result of presenting internally generated rental management fees on a net rather than gross basis. There was no change to prior year annual surplus as a result of the new presentation.

Changes in Replacement Reserve Fund

For the Year Ended December 31, 2022

	Balance at December 31 2021	Transfer from Rental Operating Fund	Transfer from Portfolio Stabilization Reserve	Contribution from BCHMC	Interest	Transfer to Capital Fund	2022
<u>Umbrella Agreement</u>							
Oakwinds	\$ 855,044	\$ 103,578	\$ -	\$ -	\$ 41,606	\$ (115,100)	\$ 885,128
James Yates Gardens	138,589	16,573	-	-	6,941	(10,464)	151,639
Pinehurst	445,197	41,431	-	-	21,832	(40,705)	467,755
The Brambles	184,317	37,288	-	-	9,146	(32,623)	198,128
The Terraces	586,780	41,431	-	-	29,747	(825)	657,133
Michigan Square	352,794	-	-	-	16,567	(29,405)	339,956
Olympic View	146,047	124,294	-	-	5,143	(206,484)	69,000
Swanlea	140,781	29,002	-	-	7,046	(22,953)	153,876
Firgrove	100,107	66,290	-	-	4,926	(65,465)	105,858
Beechwood Park	49,244	99,435	-	-	3,521	(54,211)	97,989
Grey Oak Square	36,408	49,718	-	-	2,114	(36,249)	51,991
Willowdene	41,695	31,073	-	-	1,618	(48,430)	25,956
Rosewood	150,594	91,149	-	-	8,391	(49,866)	200,268
Gladstone	60,715	29,002	-	-	2,955	(29,832)	62,840
Camosun Place	69,564	16,573	-	-	3,477	(13,770)	75,844
Parkview	123,559	53,861	-	-	5,199	(88,786)	93,833
Carey Lane	(2,032)	45,574	-	-	37	(39,989)	3,590
Colquitz Green	(29,187)	41,431	-	-	-	(24,249)	(12,005)
Springtide	166,806	99,435	-	-	9,859	(30,648)	245,452
Greenlea	29,322	43,503	-	-	1,184	(53,830)	20,179
Arbutus View	(47,402)	47,646	-	-	-	(56,127)	(55,883)
Amberlea	268,787	91,149	-	-	13,295	(86,065)	287,166
Cloverhurst	51,032	20,716	-	-	2,714	(12,007)	62,455
Hamlet	(6,356)	20,716	-	-	-	(11,887)	2,473
Viewmont	164,202	74,576	-	-	8,829	(42,868)	204,739
Creekside	29,561	49,718	-	-	2,197	(19,154)	62,322
The Birches	138,305	116,008	-	-	8,007	(65,784)	196,536
Caledonia	17,592	-	-	-	862	-	18,454
The Heathers	192,174	53,861	-	-	9,074	(67,837)	187,272
Heron Cove	119,422	49,718	-	-	6,629	(17,996)	157,773
Castanea Place	401,136	122,222	-	-	20,425	(90,813)	452,970
Leblond Place	(27,206)	89,077	-	-	-	(69,898)	(8,027)
Rotary House	48,153	84,934	-	-	2,779	(67,791)	68,075
Cairns Park	(31,187)	12,429	-	-	-	(4,323)	(23,081)
Kings Place	96,032	72,505	-	-	5,262	(49,808)	123,991
Carillon Place	42,549	31,073	-	-	2,498	(14,207)	61,913
Brock Place	53,460	62,147	-	-	3,721	(17,169)	102,159
Harbour Lane	261,633	58,004	-	-	13,686	(22,670)	310,653
Tillicum Station	298,125	82,860	-	-	15,146	(60,927)	335,204
<u>ILBC2 Agreement</u>							
Parry Place	139,028	16,600	-	-	6,976	(9,928)	152,676
<u>No Operating Agreement</u>							
Village on the Green	(269,734)	78,719	-	-	-	(56,333)	(247,348)
Vergo	93,971	37,288	-	-	4,857	(26,991)	109,125
Portage Place	182,481	35,217	-	-	9,306	(20,312)	206,692
Campus View Court	146,126	24,859	-	-	7,684	(3,472)	175,197
Royal Oak Square	221,451	78,719	-	-	10,722	(83,989)	226,903
<u>RHFP Agreement</u>							
Millstream Ridge	261,965	114,048	-	-	14,980	(26,562)	364,431
Spencer Close	106,556	112,320	-	-	7,502	(19,221)	207,157
West Park	126,073	131,328	-	-	8,848	(22,352)	243,897
Hockley House	77,520	103,680	-	-	6,137	(8,216)	179,121
<u>IHI Agreement</u>							
Westview	98,864	63,072	-	-	4,962	(58,278)	108,620
	\$ 6,900,657	\$ 2,995,850	\$ -	\$ -	\$ 378,407	\$ (2,106,869)	\$ 8,168,045

Changes in Portfolio Stabilization Reserves

For the Year Ended December 31, 2022

	Balance at December 31, 2021	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund	Transfer (to) Capital Fund	Balance at December 31, 2022
			(Schedule A)	(Schedule E)		
<u>UOA</u>						
CMHC	\$ 6,598,500	\$ -	\$ -	\$ 1,726,780	\$ -	\$ 8,325,280
BCHMC	(3,504,410)	-	-	(1,108,126)	-	(4,612,536)
Homes BC	(179,449)	-	-	(122,689)	-	(302,138)
	2,914,641	-	-	495,965	-	3,410,606
<u>ILBC2</u>						
Parry Place	(62,637)	-	-	(45,324)	-	(107,961)
<u>RHFP</u>						
Millstream Ridge	(106,825)	-	-	(136,300)	-	(243,125)
Spencer Close	261,550	-	-	200,147	-	461,697
West Park	(89,507)	-	-	156,540	-	67,033
Hockley House	(27,068)	-	-	7,113	-	(19,955)
	38,150	-	-	227,500	-	265,650
<u>IHI</u>						
Westview	289,169	-	-	100,132	-	389,301
<u>CHF</u>						
Twenty-Seven Eighty-Two	-	-	-	5,477	-	5,477
<u>NOA</u>						
Portage Place	182,044	-	-	89,728	-	271,772
Campus View Court	132,805	-	-	79,012	-	211,817
Royal Oak Square	451,142	-	-	(30,103)	-	421,039
Village on the Green	696,275	-	-	95,812	-	792,087
Vergo	(622,708)	-	-	(114,104)	-	(736,812)
	839,558	-	-	120,345	-	959,903
	\$ 4,018,881	\$ -	\$ -	\$ 904,095	\$ -	\$ 4,922,976

Capital Assets

For the Year Ended December 31, 2022

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2022	2021
In Operation										
<u>Umbrella Agreement</u>										
Oakwinds	Feb/85	\$ -	\$ 830,075	\$ 2,835,407	\$ 1,566,114	\$ 115,100	\$ 5,346,696	\$ (4,951,965)	\$ 394,731	\$ 368,988
James Yates Gardens	Oct/84	103,200	-	387,934	303,786	10,464	805,384	(637,371)	168,013	172,445
Pinehurst	Feb/85	277,692	-	1,188,811	717,497	40,705	2,224,705	(1,799,706)	424,999	416,033
The Brambles	Jun/85	275,975	-	1,048,104	765,854	32,623	2,122,556	(1,729,601)	392,955	385,499
The Terraces	May/85	356,532	-	1,087,668	873,395	825	2,318,420	(1,871,374)	447,046	468,747
Michigan Square	Sep/85	784,763	-	1,874,991	1,496,625	29,405	4,185,784	(3,265,203)	920,581	921,454
Olympic View	Apr/86	900,000	-	3,288,908	2,301,802	206,484	6,697,194	(5,218,885)	1,478,309	1,390,593
Swanlea	Dec/85	230,215	-	746,556	497,299	22,953	1,497,023	(1,167,374)	329,649	328,683
Firgrove	Feb/86	480,000	-	1,763,183	1,177,528	65,465	3,486,176	(2,827,560)	658,616	629,622
Beechwood Park	Feb/86	888,000	-	2,317,623	3,073,578	54,211	6,333,412	(5,022,735)	1,310,677	1,355,359
Grey Oak Square	Apr/86	409,015	-	1,290,394	980,228	36,249	2,715,886	(2,127,561)	588,325	592,369
Willowdene	Sep/87	-	-	884,186	670,444	48,430	1,603,060	(1,479,555)	123,505	125,161
Rosewood	Oct/88	-	255,000	1,864,715	871,326	49,866	3,040,907	(2,747,123)	293,784	342,098
Gladstone	Jan/89	-	197,000	912,600	507,151	29,832	1,646,583	(1,450,936)	195,647	212,496
Camosun Place	Mar/89	-	108,000	489,700	233,467	13,770	844,937	(733,537)	111,400	124,352
Parkview	May/89	-	283,250	1,795,567	958,798	88,786	3,126,401	(2,736,415)	389,986	400,111
Carey Lane	Aug/89	-	283,250	1,443,751	964,786	39,989	2,731,776	(2,381,011)	350,765	398,441
Colquitz Green	Nov/89	-	160,250	1,504,000	823,860	24,249	2,512,359	(2,239,318)	273,041	331,558
Springtide	May/90	-	324,500	2,519,309	911,305	30,648	3,785,762	(3,344,841)	440,921	521,563
Greenlea	Feb/90	-	305,750	1,560,300	860,465	53,830	2,780,345	(2,385,252)	395,093	426,297
Arbutus View	Jul/90	-	370,250	1,592,750	1,055,047	56,127	3,074,174	(2,543,421)	530,753	587,563
Amberlea	May/90	-	447,501	2,578,479	922,345	86,065	4,034,390	(3,433,335)	601,055	648,445
Cloverhurst	May/90	-	197,000	651,500	264,126	12,007	1,124,633	(941,459)	183,174	205,888
Hamlet	Oct/90	-	152,000	803,000	405,333	11,887	1,372,220	(1,178,438)	193,782	225,759
Viewmont	Aug/91	-	402,140	2,378,046	837,534	42,868	3,660,588	(3,092,491)	568,097	638,667
Creekside	Apr/92	-	388,250	2,363,830	947,101	19,154	3,718,335	(3,117,472)	600,863	689,089
The Birches	Aug/92	-	675,000	3,684,874	953,586	65,784	5,379,244	(4,413,540)	965,704	1,062,809
The Heathers	Apr/93	-	436,279	1,974,683	441,105	67,837	2,919,904	(2,292,234)	627,670	646,903
Heron Cove	Oct/93	-	270,000	2,274,691	571,780	17,996	3,134,467	(2,542,090)	592,377	674,728
Castanea Place	Feb/95	-	1,277,000	4,841,879	1,201,297	90,813	7,410,989	(5,422,364)	1,988,625	2,130,877
Leblond Place	Sep/96	-	900,000	4,506,231	1,253,098	69,898	6,729,227	(4,790,626)	1,938,601	2,119,922
Rotary House	Nov/06	-	556,600	2,994,000	700,656	67,791	4,319,047	(2,900,099)	1,418,948	1,539,273
Cairns Park	Dec/96	-	240,000	415,314	227,683	4,323	887,320	(585,955)	301,365	330,976
Kings Place	N/A	-	-	-	713,190	49,808	762,998	(585,585)	177,413	165,733
Carillon Place	Jul/98	-	525,000	1,280,389	725,832	14,207	2,545,428	(1,688,304)	857,124	932,737

Capital Assets

For the Year Ended December 31, 2022

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2022	2021
Brock Place	Jan/00	-	840,000	3,465,836	1,104,145	17,169	5,427,150	(3,451,159)	1,975,991	2,137,126
Harbour Lane	Oct/01	-	825,000	3,607,266	355,529	22,670	4,810,465	(2,858,138)	1,952,327	2,066,136
Tillicum Station	Jul/02	-	948,750	4,300,764	589,935	60,927	5,900,376	(3,385,681)	2,514,695	2,629,270
Building Envelope Remediation										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(2,106,838)	260,577	390,864
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(984,309)	120,895	181,341
The Birches	2006	-	-	1,635,610	-	-	1,635,610	(1,328,827)	306,783	383,479
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,356,965)	399,409	479,290
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,769,509)	761,841	870,676
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(2,167,602)	1,170,339	1,316,632
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(731,780)	526,578	631,893
<u>ILBC2 Agreement</u>										
Parry Place	Jun/08	1,400,000	-	4,794,268	261,450	9,928	6,465,646	(2,218,206)	4,247,440	4,397,123
Millstream Ridge	Feb/19	-	35,428,849	-	68,219	26,562	35,523,630	(2,392,509)	33,131,121	33,707,770
Spencer Close	Nov/20	-	30,257,330	-	6,819	19,221	30,283,370	(1,054,694)	29,228,676	29,717,207
West Park	Nov/20	-	31,253,897	-	6,503	22,352	31,282,752	(1,088,942)	30,193,810	30,695,449
Hockley House	Apr/21	-	25,409,983	-	1,008	8,216	25,419,207	(741,456)	24,677,751	25,094,039
<u>IHI Agreement</u>										
Westview	May/20	-	-	14,937,177	8,125	58,278	15,003,580	(1,119,661)	13,883,919	14,264,803
<u>CHF Agreement</u>										
Twenty-Seven Eighty-Two	Nov/22	-	-	19,813,593	-	-	19,813,593	(94,184)	19,719,409	-
<u>No Operating Agreement</u>										
Village on the Green	May/84	910,171	-	2,002,921	1,652,345	56,333	4,621,770	(3,031,458)	1,590,312	1,696,971
Vergo	May/12	1,144,327	-	4,226,787	95,579	26,991	5,493,684	(1,403,073)	4,090,611	4,192,674
Portage Place	Aug/83	328,659	-	965,774	716,033	20,312	2,030,778	(1,554,213)	476,565	490,691
Campus View Court	Sep/83	341,224	-	688,113	613,004	3,472	1,645,813	(1,208,520)	437,293	457,401
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,827,072	83,989	4,629,175	(3,525,554)	1,103,621	1,118,483
Buildings Under Construction		-	403,473	23,032,039	-	-	23,435,512	(201,738)	23,233,774	8,871,668
Office Equipment		-	-	-	535,869	-	535,869	(512,908)	22,961	28,698
Vehicles		-	-	-	60,544	-	60,544	(60,544)	-	-
		\$ 9,496,053	\$ 134,951,377	\$ 161,021,997	\$ 39,677,200	\$ 2,106,869	\$ 347,253,496	\$ (129,993,204)	\$ 217,260,292	\$ 188,330,922

Capital Region Housing Corporation

Schedule D

Capital Fund - Mortgages Payable

For the Year Ended December 31, 2022

Rental Property	Interest Rate	Renewal Date	Maturity Date	2022	2021
<u>Umbrella Agreement</u>					
Willowdene	2.580%		Matured in 2022	\$ -	\$ 39,098
Rosewood	2.610%		November 1, 2023	110,325	227,731
Gladstone	2.610%		January 1, 2024	68,254	129,581
Camosun Place	1.860%		March 1, 2024	39,598	70,620
Parkview	1.690%		May 1, 2024	167,168	282,800
Carey Lane	1.690%		August 1, 2024	162,315	257,546
Colquitz Green	1.730%		November 1, 2024	180,894	272,943
Springtide	0.680%		May 1, 2025	379,730	535,048
Greenlea	0.690%		March 1, 2025	236,541	340,501
Arbutus View	0.680%		July 1, 2025	275,403	380,722
Amberlea	0.680%		May 1, 2025	405,659	571,582
Cloverhurst	0.680%		May 1, 2025	113,325	159,677
Hamlet	0.740%		October 1, 2025	150,088	202,318
Viewmont	1.120%		August 1, 2026	528,642	669,099
Creekside	2.600%		April 1, 2027	605,360	735,688
The Birches	2.550%	August 1, 2027	August 1, 2032	1,009,145	1,210,311
The Heathers	2.600%	April 1, 2028	April 1, 2033	623,759	731,439
Heron Cove	2.610%	October 1, 2028	October 1, 2033	709,654	820,894
Castanea Place	0.690%		February 1, 2030	2,111,169	2,397,554
Leblond Place - 1st mortgage	1.280%		September 1, 2031	1,742,867	1,929,944
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,360,631	2,442,600
Rotary House	2.510%	March 1, 2028	March 1, 2033	984,988	1,158,386
Cairns Park	2.589%		December 1, 2031	265,205	291,059
Carillon Place	3.220%	June 1, 2024	July 1, 2033	838,339	903,863
Brock Place	2.840%	January 1, 2030	January 1, 2035	2,328,951	2,488,455
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,368,747	2,513,781
Tillicum Station	3.265%	July 1, 2024	July 1, 2037	3,130,825	3,296,450
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,251,814	3,359,042
<u>RHFP Agreement</u>					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	33,159,724	33,809,779
Spencer Close	1.519%	January 1, 2031	February 1, 2056	29,180,152	29,854,616
West Park	1.519%	January 1, 2031	February 1, 2056	29,514,936	30,197,138
Hockley House	2.459%	June 1, 2031	July 1, 2056	24,865,357	25,343,415
<u>IHI Agreement</u>					
Westview	1.631%	September 1, 2030	September 1, 2055	7,116,837	7,280,114
<u>No Operating Agreement</u>					
Royal Oak Square	4.320%	July 1, 2027	July 1, 2057	4,477,146	-
Village on the Green	2.250%		October 1, 2039	1,702,077	1,784,422
Vergo	4.950%	September 1, 2027	September 1, 2042	3,438,895	3,554,515
				158,604,520	160,242,731
Principal Current Portion				(6,213,290)	(6,151,134)
Principal Renewal Portion				(595,492)	(3,747,610)
				\$ 151,795,738	\$ 150,343,987

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

Revenues														Expenditures and Interfund Transfers										Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total														
Umbrella Agreement																									
CMHC																									
Oakwinds	50	\$ 670,682	\$ -	\$ -	\$ 1,608	\$ 672,290	\$ 266,562	\$ 103,578	\$ -	\$ -	\$ 370,140	\$ 302,150	\$ (302,150)												
James Yates Gardens	8	77,762	-	-	-	77,762	47,753	16,573	-	-	64,326	13,436	(13,436)												
Pinehurst	20	287,572	-	-	1,537	289,109	127,305	41,431	-	-	168,736	120,373	(120,373)												
The Brambles	18	266,972	-	-	1,551	268,523	113,705	37,288	-	-	150,993	117,530	(117,530)												
The Terraces	20	273,056	-	-	1,639	274,695	109,402	41,431	-	-	150,833	123,862	(123,862)												
Michigan Square	6	78,486	-	-	-	78,486	78,879	-	-	-	78,879	(393)	393												
Olympic View	60	824,092	-	-	2,878	826,970	381,125	124,294	-	-	505,419	321,551	(321,551)												
Swanlea	14	207,323	-	-	897	208,220	100,930	29,002	-	-	129,932	78,288	(78,288)												
Firgrove	32	422,093	-	-	1,660	423,753	129,787	66,290	-	-	196,077	227,676	(227,676)												
Beechwood Park	48	627,392	-	-	6,842	634,234	264,422	99,435	-	-	363,857	270,377	(270,377)												
Grey Oak Square	24	330,747	-	-	2,422	333,169	131,521	49,718	-	-	181,239	151,930	(151,930)												
	300	4,066,177	-	-	21,034	4,087,211	1,751,391	609,040	-	-	2,360,431	1,726,780	(1,726,780)												
BCHMC																									
Willowdene	15	121,101	-	38,406	289	159,796	161,464	31,073	35,127	-	227,664	(67,868)	67,868												
Rosewood	44	248,165	-	83,724	1,739	333,628	253,907	91,149	121,926	-	466,982	(133,354)	133,354												
Gladstone	14	140,175	-	63,368	-	203,543	82,682	29,002	63,964	-	175,648	27,895	(27,895)												
Camosun Place	8	94,600	-	33,432	-	128,032	46,497	16,573	32,068	-	95,138	32,894	(32,894)												
Parkview	26	229,235	-	114,811	484	344,530	163,948	53,861	119,503	-	337,312	7,218	(7,218)												
Carey Lane	22	197,551	-	83,364	1,402	282,317	126,843	45,574	98,835	-	271,252	11,065	(11,065)												
Colquitz Green	20	211,794	-	76,241	1,307	289,342	129,062	41,431	96,028	-	266,521	22,821	(22,821)												
Springtide	48	273,675	-	112,936	2,000	388,611	312,245	99,435	158,468	-	570,148	(181,537)	181,537												
Greenlea	21	214,433	-	42,276	520	257,229	135,322	43,503	105,977	-	284,802	(27,573)	27,573												

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

	Revenues						Expenditures and Interfund Transfers					Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total		
Arbutus View	23	214,049	-	49,212	134	263,395	115,228	47,646	107,576	-	270,450	(7,055)	7,055
Amberlea	44	310,897	-	112,933	1,638	425,468	296,305	91,149	169,288	-	556,742	(131,274)	131,274
Cloverhurst	10	70,628	-	41,111	-	111,739	57,092	20,716	47,292	-	125,100	(13,361)	13,361
Hamlet	10	122,822	-	49,634	-	172,456	76,219	20,716	53,547	-	150,482	21,974	(21,974)
Viewmont	36	201,922	-	161,613	1,530	365,065	228,456	74,576	147,215	-	450,247	(85,182)	85,182
Creekside	24	233,635	-	111,686	482	345,803	153,023	49,718	147,813	-	350,554	(4,751)	4,751
The Birches	56	308,148	-	163,537	2,166	473,851	263,319	116,008	229,534	-	608,861	(135,010)	135,010
Caledonia	-	-	-	47,850	-	47,850	9,924	-	(8,120)	-	1,804	46,046	(46,046)
The Heathers	26	149,403	-	108,372	1,472	259,247	160,131	53,861	125,324	-	339,316	(80,069)	80,069
Heron Cove	24	205,411	-	63,582	750	269,743	122,015	49,718	131,230	-	302,963	(33,220)	33,220
Castanea Place	59	386,068	-	182,734	1,245	570,047	330,070	122,222	302,000	-	754,292	(184,245)	184,245
Leblond Place	43	260,178	-	330,003	1,467	591,648	319,403	89,077	344,072	-	752,552	(160,904)	160,904
Rotary House	41	264,510	-	216,649	40	481,199	228,556	84,934	200,345	-	513,835	(32,636)	32,636
	614	4,458,400	-	2,287,474	18,665	6,764,539	3,771,711	1,271,942	2,829,012	-	7,872,665	(1,108,126)	1,108,126
Homes BC													
Cairns Park	6	53,245	-	23,702	-	76,947	45,240	12,429	33,161	-	90,830	(13,883)	13,883
Kings Place	35	383,539	-	157,515	1,350	542,404	490,147	72,505	-	-	562,652	(20,248)	20,248
Carillon Place	15	189,710	-	33,478	438	223,626	87,280	31,073	93,480	-	211,833	11,793	(11,793)
Brock Place	30	341,029	-	74,072	2,950	418,051	172,748	62,147	227,708	-	462,603	(44,552)	44,552
Harbour Lane	28	303,533	-	88,749	2,325	394,607	184,512	58,004	198,635	-	441,151	(46,544)	46,544
Tillicum Station	40	489,422	-	95,884	579	585,885	242,557	82,860	269,723	-	595,140	(9,255)	9,255
	154	1,760,478	-	473,400	7,642	2,241,520	1,222,484	319,018	822,707	-	2,364,209	(122,689)	122,689
	1,068	10,285,055	-	2,760,874	47,341	13,093,270	6,745,586	2,200,000	3,651,719	-	12,597,305	495,965	(495,965)

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

	Revenues						Expenditures and Interfund Transfers					Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total		
ILBC2 Agreement													
Parry Place	21	343,502	302,636	-	10,580	656,718	463,846	16,600	221,596	-	702,042	(45,324)	45,324
RHFP Agreement													
Millstream Ridge	132	2,245,129	-	-	43,130	2,288,259	710,885	114,048	1,599,626	-	2,424,559	(136,300)	136,300
Spencer Close	130	2,028,688	-	-	40,040	2,068,728	635,270	112,320	1,120,991	-	1,868,581	200,147	(200,147)
West Park	152	2,070,095	-	-	46,794	2,116,889	695,169	131,328	1,133,852	-	1,960,349	156,540	(156,540)
Hockley House	120	1,740,440	-	-	31,816	1,772,256	574,050	103,680	1,087,413	-	1,765,143	7,113	(7,113)
	534	8,084,352	-	-	161,780	8,246,132	2,615,374	461,376	4,941,882	-	8,018,632	227,500	(227,500)
IHI Agreement													
Westview	73	831,096	-	-	19,779	850,875	407,491	63,072	280,180	-	750,743	100,132	(100,132)
CHF Agreement													
Twenty-Seven Eighty-Two	58	34,687	-	-	810	35,497	30,020	-	-	-	30,020	5,477	(5,477)
No Operating Agreement													
Portage Place	17	221,796	-	-	366	222,162	97,217	35,217	-	-	132,434	89,728	(89,728)
Campus View Court	12	171,272	-	-	1,440	172,712	68,841	24,859	-	-	93,700	79,012	(79,012)
Royal Oak Square	38	505,673	-	-	1,455	507,128	210,869	78,719	247,643	-	537,231	(30,103)	30,103
Village on the Green	38	482,404	-	-	4,101	486,505	190,667	78,719	121,307	-	390,693	95,812	(95,812)
Vergo	18	286,709	-	-	-	286,709	108,844	37,288	254,681	-	400,813	(114,104)	114,104
	123	1,667,854	-	-	7,362	1,675,216	676,438	254,802	623,631	-	1,554,871	120,345	(120,345)
	1,877	\$21,246,546	\$ 302,636	\$ 2,760,874	\$ 247,652	\$24,557,708	\$10,938,755	\$ 2,995,850	\$ 9,719,008	\$ -	\$ 23,653,613	\$ 904,095	\$ (904,095)

Capital Region Housing Corporation Audit Findings Report



Capital Region Housing Corporation

Audit Findings Report
year ended December 31, 2022



For the meeting on May 3, 2023

kpmg.ca/audit



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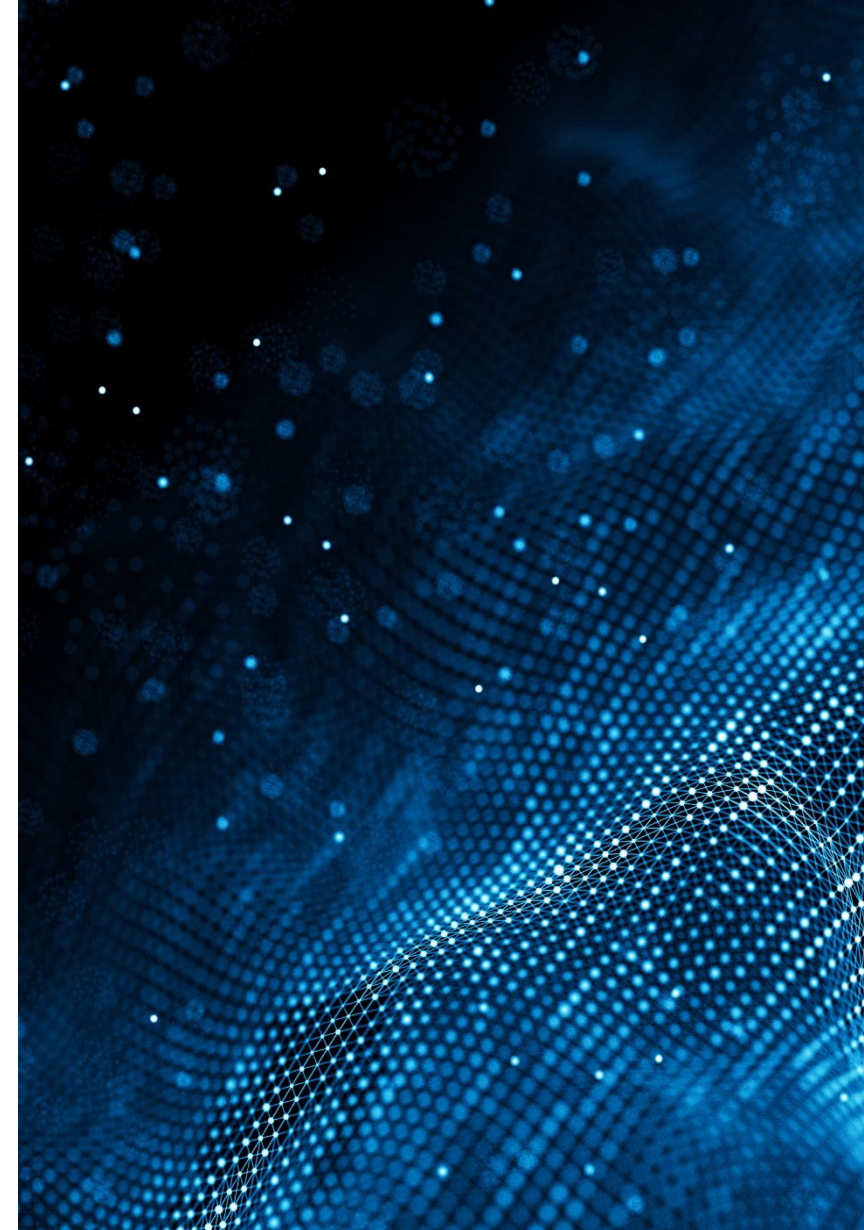


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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4	Audit highlights	5	Status of the audit	6	Audit risks and results
8	Control deficiencies and improvement observations	9	Additional matters	10	Appendices

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Hospitals and Housing Committee. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee (the “Committee”), in your review of the results of our audit of the financial statements of Capital Region Housing Corporation (“CRHC” or “Entity”) as at and for the year ended December 31, 2022.

Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.

Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Audit risks and results

Findings related to significant risks are discussed on slide 6.

Audit risks and results – other focus areas

Findings related to other focus areas are discussed on slide 7.

Uncorrected audit misstatements

There are no matters to report

Corrected audit misstatements

There were no corrected audit misstatements that impact total assets, liabilities or annual surplus of CRHC.

The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements.

Control deficiencies and improvement observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Significant accounting policies and practices

Findings related to significant accounting policies and practices are discussed on slide 9.

Independence

As required by professional standards, we have considered all relationships between KPMG and CRHC that may have a bearing on independence. We confirm that we are independent with respect to CRHC within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2022 up until the date of this report.



Status of the audit

As of May 3, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Hospitals and Housing Committee
- Obtaining evidence of Board approval of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Committee and Board of Directors, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.





Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.



Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Significant findings

We noted no issues as a result of our testing.



Audit focus areas

We highlight findings in other areas of focus as identified in the Audit Plan as follows:



New building developments and redevelopments

CRHC is undertaking a significant capital program of purchasing or building new developments and redeveloping existing buildings.

The capital program involves significant capital asset expenditure and significant non-recurring funding. Funding agreements can have unique conditions which can impact timing and value of revenue recognition in the financial statements.

Our response

There were six building developments or redevelopments underway during 2022, including Twenty-Seven Eighty-Two which was completed and Michigan, Carey Lane, Caledonia, Drake and Campus View which are ongoing. A total of \$34.2M of capital expense was incurred on these projects in 2022. \$18.3M of government contributions related to these projects were recognized, of which \$16.2M related to forgivable loans. A further \$21.2M of short term capital financing is held as a liability as at December 31, 2022, of which \$13.9M relates to Twenty-Seven Eighty-Two and was converted in to a mortgage on January 1, 2023.

We reviewed Board meeting minutes and performed inquiries with management to obtain an understanding of the status of all new developments and redevelopments, including any remaining commitments under the Regional Housing First Program.

We selected a sample of capital expenses recognized in 2022 and verified these had been accurately recorded by agreeing spend to bank statements, contractual agreements and 3rd party invoices.

Management provided analysis of the funding sources for each capital project, including assessment of whether the funding should be recognized as short term capital financing, a forgivable loan (revenue) or mortgage financing. We reviewed management's analysis and tested all significant capital projects funding by reviewing the funding agreements and analysis against public sector accounting standards. We concurred with the conclusions management reached and the accounting treatment.

Significant findings

We noted no issues as a result of our testing.

During the year, Finance staff implemented an improved tracking and analysis process to report on the status of each project's funding sources, amounts drawn to date and funding remaining to compliment operational reports for enhanced consistency and support for transactions reported in the financial statements.



Control deficiencies and improvement observations

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to CRHC's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.



Significant accounting policies and practices



Significant accounting policies



- There were no initial selections of or changes to significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the CRHC's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.



Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.



Other audit matters

We highlight below examples of audit procedures performed including those that do not relate specifically to a transaction reported in the financial statements, but rather procedures performed to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.



Risk Assessment

- Update our understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Update our understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.

Substantive audit procedures

- Cash, investments and debt balances were confirmed with the respective financial institutions.
- A sample of capital asset additions were compared to underlying source documents. An estimate of amortization expense was compared to actual.
- A sample of payments made after year end were tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses were tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Government transfer revenues and deferred revenues were tested by obtaining grant terms and determining if accounting as revenue or deferred revenue is appropriate.
- Salaries and wage expense included testing internal controls over management review of payroll expense as well as comparing actual to prior year.
- A sample of new subsidized tenants was tested to determine if the Subsidized Tenant Selection Process was followed to verify qualification and ordering of tenant selection.

Concluding and reporting

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure were evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations were discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.

Appendices

1

Other required communications

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Management representation letter

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Insights to enhance your business

6

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Audit and assurance insights

8

Environmental, social and governance (ESG)



Appendix 1: Other required communications



Auditors' report

Refer to the draft report attached to the financial statements.

Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



Reports to the Board of Directors

At the completion of the audit, we will provide our findings report to the Board of Directors.

Management representation letter

A copy of the management representation letter is attached.

Appendix 2: Management representation letter

KPMG LLP
Chartered Professional Accountants
St. Andrew's Square II
800-730 View Street
Victoria, BC V8W 3Y7

May 10, 2023

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Region Housing Corporation (“the Entity”) as at and for the period ended December 31, 2022.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.



Appendix 2: Management representation letter (continued)

- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others

Appendix 2: Management representation letter (continued)

where such fraud or suspected fraud could have a material effect on the financial statements.

- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Appendix 2: Management representation letter (continued)

Misstatements:

- 11) We approve the presentation of internal management fees charged between the Corporation and Rental Housing Operating Funds of \$2,807,698 (2021 – 2,425,159) to be shown on a net rather than gross basis.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission (“SEC”) Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Ted Robbins, Chief Administrative Officer

Nelson Chan, Chief Financial Officer

Kevin Lorette, General Manager, Planning and Protective Services

Appendix 2: Management representation letter (continued)

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.



Appendix 3: Selected Financial Information

As part of the audit, there are certain key ratios and trends that we review. We share these ratios with the Board and Management and welcome any questions related to our interpretation of trends. The following financial information is taken from the annual audited financial statements prepared in accordance with Public Sector Accounting Standards. The accounting framework used in these financial statements differs from the framework used in the financial plan in that the rate-setting formula is based on a cash-basis, includes transfers from reserves and other unspent funds and planned capital acquisitions rather than amortization of capital assets.

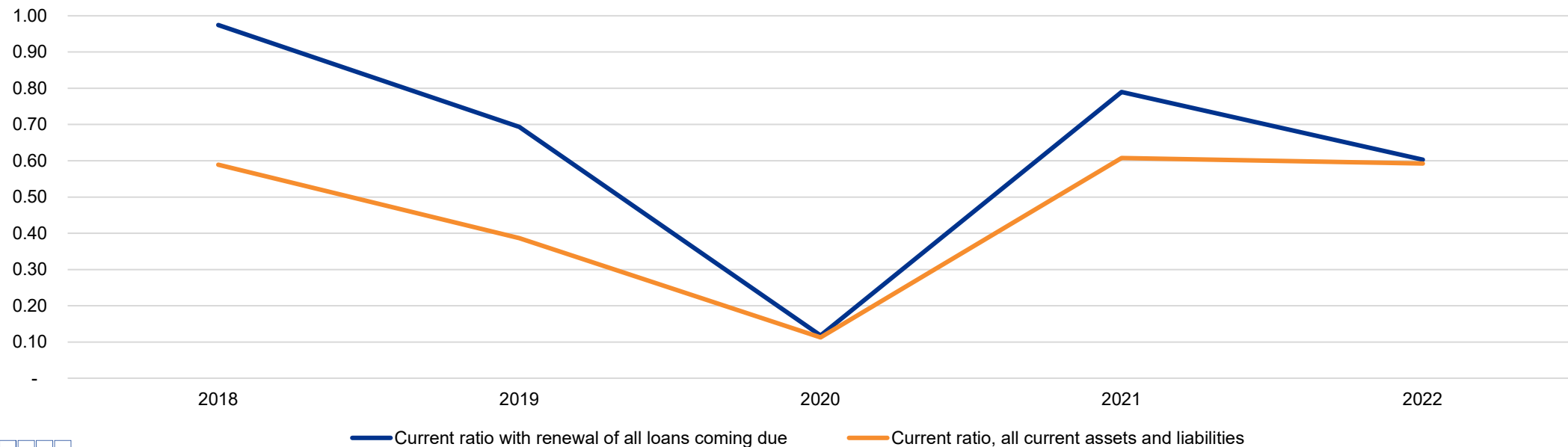
Appendix 3: Selected Financial Information (Continued)

Current Ratio

The current ratio provides a measure of the liquidity of the Entity, its ability to pay short-term obligations through current assets (those due within one year). The higher the ratio, the greater the ability to meet budgeted and unexpected expenditures. The current ratio in 2020 was lower than other years due to \$61.3 million of new debt to acquire West Park and Spencer Close. The current ratio in 2022 has declined from 2021 as new debt to construct Twenty-Seven Eight-Two has been obtained.

Mortgages with a due date in the next fiscal year are classified in the financial statements as current assets, while CRHC's practice has been to renew loans as they come due rather than paying out the full balance of the mortgage. Two trend lines are noted below, one assuming no mortgage renewal that agrees to the financial statement presentation, and one assuming all mortgages due within the next fiscal year will be renewed and will not require repayment of the entire principal outstanding within the next fiscal year, resulting in a higher current ratio that reflects the more likely outcome in the upcoming year. In 2022, the two ratios are almost the same because only one mortgage for \$595k is due in 2023.

Current Ratio



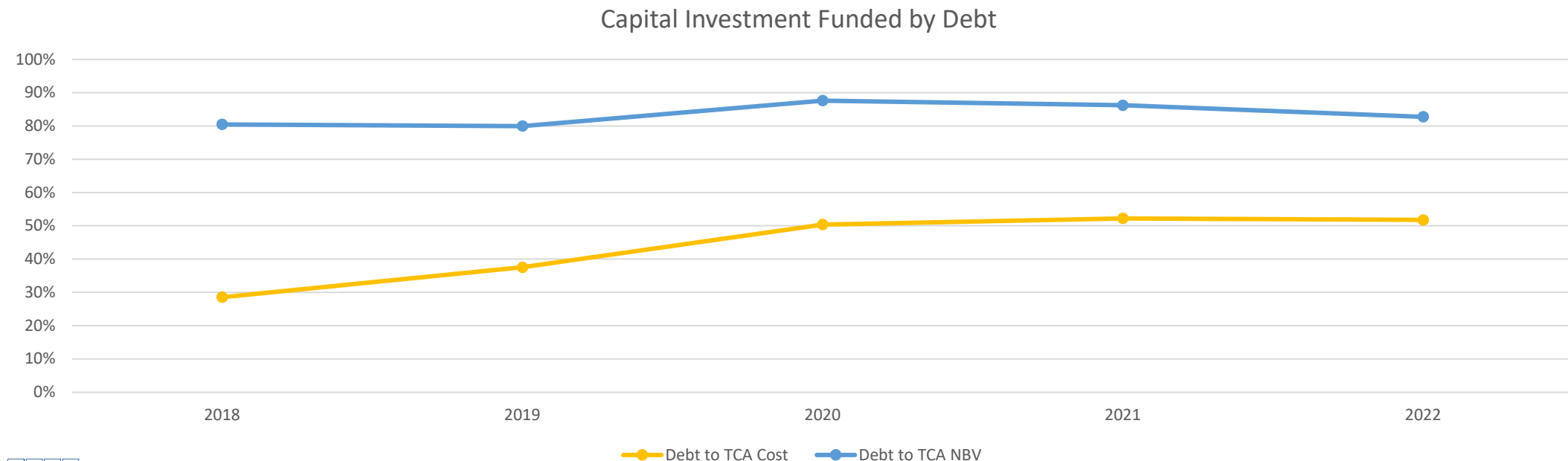


Appendix 3: Selected Financial Information (Continued)

Capital Investment Funded by Debt

Capital investment funded by debt illustrates how much of the Entity's tangible capital assets (TCA) have been purchased using debt. The Debt to TCA NBV has consistently ranged from 80 – 87% over the past five years indicating that the majority of the Entity's capital investment is funded through debt and capital assets are amortized at a similar pace as repayment of debt. As more assets become fully depreciated, the ratio will decline at a faster pace because debt repayment will exceed amortization.

The Debt to TCA Cost has been increasing since 2018 which reflects the additional debt that the Entity has secured to purchase new properties. This ratio does not capture the Capital Regional District's equity in the new leased buildings under the Regional Housing First Program (grants received that have reduced the amount of debt required to fund prepaid leases). A flat trend line since 2020 indicates a similar percentage of new property cost has been financed through debt.



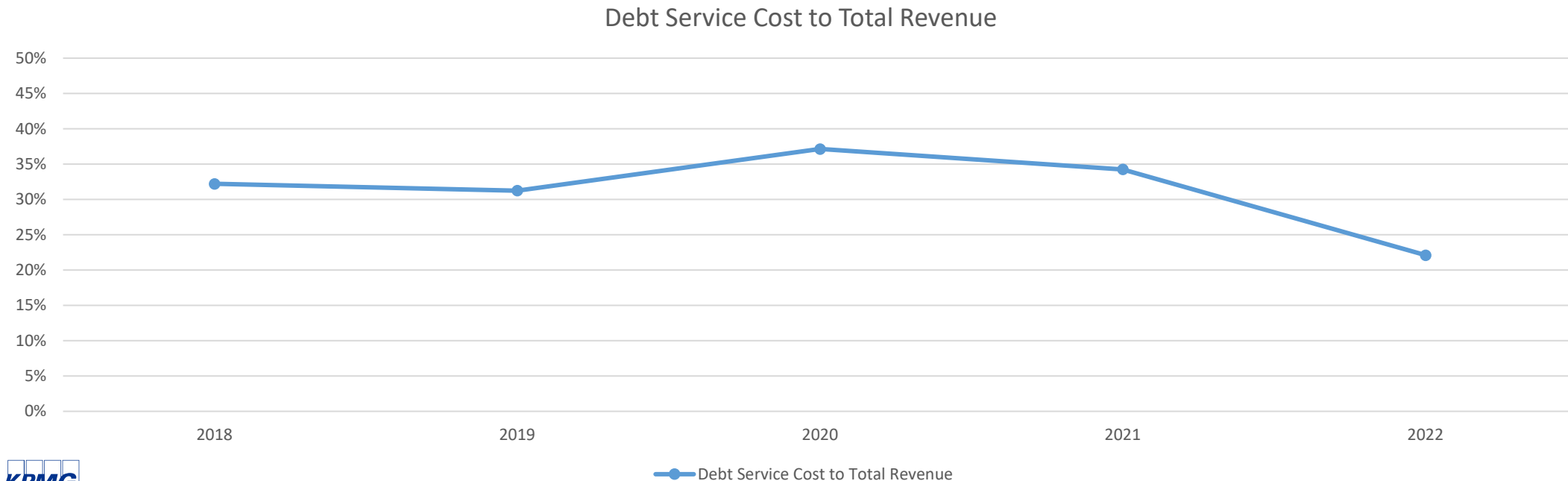
Appendix 3: Selected Financial Information (Continued)

Debt Service Costs to Total Revenue

The debt service costs to total revenue ratio is the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for repayment of debt and less ability to adjust to unplanned events and changing circumstances.

As different forms of funding have been secured, including forgivable loans and grants, alongside increased tenant rent contributions from new properties, revenue has increased at a faster rate than the additional interest and principal repayments on the new debt, resulting in a downward trend in this ratio. The significant decrease in 2022 is a result of \$18M non-recurring grants and forgivable loans for redevelopment of the Caledonia property.

The overall ratio is higher than seen in the Capital Regional District due to the capital intensive nature of affordable housing which is primarily funded through debt.



Trend line for 2018-2021 has been adjusted to reflect consistent presentation of management fees adopted in 2022

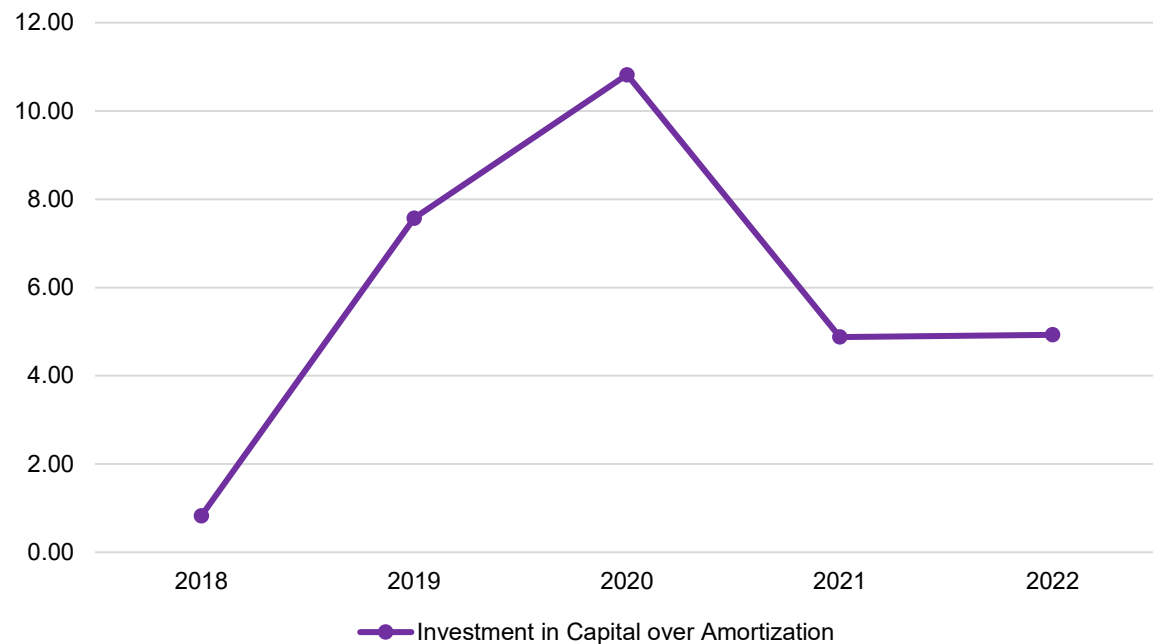


Appendix 3: Selected Financial Information (Continued)

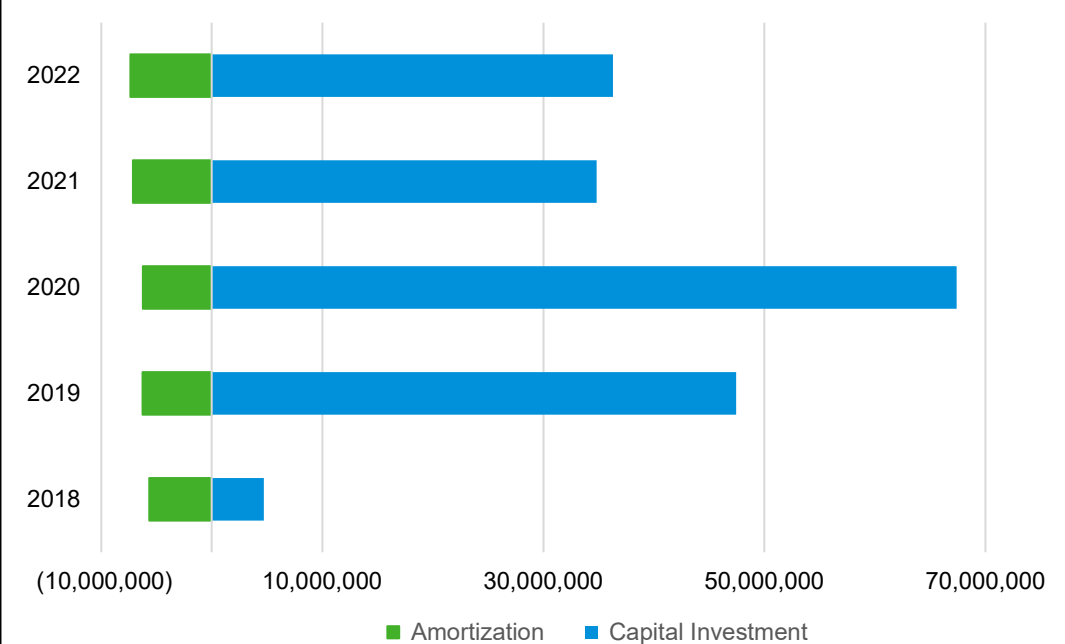
Investment in Capital over Amortization

The following chart illustrates the amount of investment in capital as a multiple of amortization; this reflects the amount of capital invested for every dollar that assets depreciate each year; a higher ratio indicates that the Entity is investing in capital at a faster rate than it is incurring amortization on older properties. In 2022, capital investment outpaced amortization by 4.9 times.

Investment in Capital over Amortization



Capital Investment & Amortization

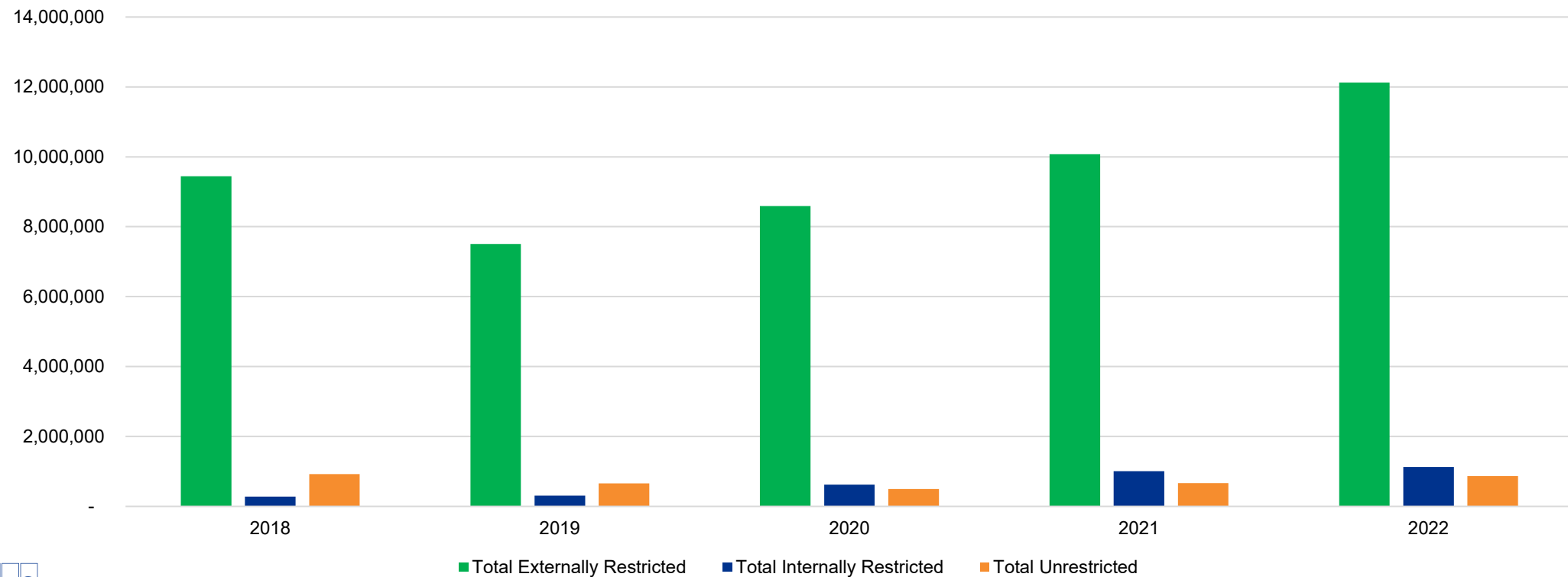


Appendix 3: Selected Financial Information (Continued)

Reserve Balance

The net assets of the Entity is made up of amounts invested in tangible capital assets, externally restricted reserves, internally restricted reserves and unrestricted reserves. The following illustrates the amount of each category of reserve held by the Entity over the past five years. Reserves are savings to support service delivery that can reduce costs of borrowing for asset renewal and replacement. The increase in the externally restricted reserve balance represents additions to replacement reserves exceeding amounts spent from reserve.

Reserve Balances





Appendix 4: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use. • As a result of the new standard, the public sector entity will: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> • The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Government not-for-profit strategy	<ul style="list-style-type: none"> • The Public Sector Accounting Board has approved its government not-for-profit (“GNFP”) strategy implementation plan. • The approved strategy option is to incorporate the PS 4200 series of standards with potential customizations into public sector accounting standards. This means reviewing the existing PS 4200 series of standards to determine if they should be retained and added to public sector accounting standards. Incorporating the updated or amended PS 4200 series standards in public sector accounting standards would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none">• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.• The guideline can be applied retroactively or prospectively.



Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> • The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> • The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. • The proposed section includes the following: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present total assets followed by total liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. • The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix 5: Insights to enhance your business

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

[Learn more](#)

Lean in Audit

Lean in Audit™ is KPMG's award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

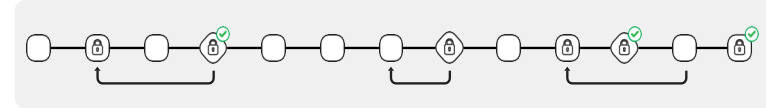
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to discussing how we can use this approach for your audit going forward.

How it works

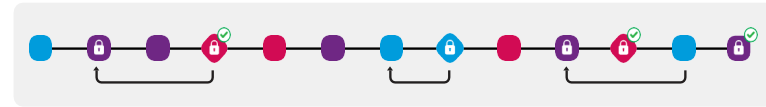
Standard Audit

Typical process and how it's audited



Lean in Audit™

Applying a Lean lens to perform walkthroughs and improve Audit quality and minimize risks and redundant steps



How Lean in Audit helps businesses improve processes

Make the process more streamlined and efficient for all



Value: what customers want (**maximize**)

Necessary: required activities (**minimize**)

Redundant: non-essential activities (**remove**)

Process controls

Key controls tested



Appendix 6: Upcoming changes to auditing standards

The International Auditing and Assurance Standards Board (IAASB) has issued three new and revised standards to strengthen and modernize the approach to quality management.

These standards address an evolving and increasingly complex environment, including a need for quality management systems that are proactive and adaptable.

	ISQM 1	ISQM 2	ISA 220 (Revised)
Scope	<ul style="list-style-type: none"> Focuses on quality management at the firm level Requires the firm to design, implement and operate a system of quality management (SoQM) to manage the quality of engagements performed by the firm Applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements 	<ul style="list-style-type: none"> Focuses on the appointment of the engagement quality (EQ) reviewer and the EQ reviewer's responsibilities relating to the performance and documentation of an EQ review Applies to audits and reviews of financial statements; and other assurance and related services engagements 	<ul style="list-style-type: none"> Focuses on quality management at the engagement level Clarifies and strengthens the key elements of quality management at the engagement level, focusing on the critically important role of the engagement partner and reinforcing the importance of quality to all members of the engagement team Applies to audits of financial statements
Effective date	Firms are required to: <ul style="list-style-type: none"> have their SoQM designed and implemented by 15 December 2022 evaluate the SoQM at least annually, and no later than 15 December 2023 for the first evaluation 	Periods beginning on or after 15 December 2022	Periods beginning on or after 15 December 2022



Appendix 6: Upcoming changes to auditing standards

KPMG Global Quality Framework – in practice

Our Global Quality Framework outlines how we deliver quality at KPMG and how every partner and staff member contributes to its delivery. Quality **value drivers** are the cornerstones of our approach underpinned by the **supporting drivers**. **Performing quality engagements** sits at the core with our commitment to continually **monitor and remediate** to fulfil these drivers.

Live our culture and values

- Foster the right culture, starting with the tone at the top
- Clearly articulate strategy focused on quality, consistency, trust and growth
- Define accountabilities, roles and responsibilities, including for leadership
- Oversee using robust governance structures

Embrace digital technology

- KPMG Clara
- Intelligent, standards-driven audit workflow
- Digital data and emerging technologies

Apply expertise and knowledge

- Methodology aligned with professional standards, laws and regulations
- Deep technical expertise and knowledge
- Quality and risk management manual
- Standardized workpapers and guidance

Nurture diverse skilled teams

- Recruit appropriately qualified and skilled people, including specialists, with diversity of perspective and experience
- Invest in data centric skills – including data mining, analysis and visualization
- Focus on learning and development on technical expertise, professional acumen and leadership skills
- Assign appropriately qualified team
- Recognize quality



Perform quality engagements

- Critically assess audit evidence, using professional judgement and skepticism
- Direct, coach, supervise and review, including second line of defense and engagement quality review
- Appropriately support and document conclusions
- Monitor engagement milestones
- Consult where necessary

Associate with the right clients and engagements

- Follow the client acceptance and continuance policies
- Accept appropriate engagements
- Manage portfolio of clients

Be independent, objective and ethical

- Act with integrity and live our values
- Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies
- Have zero tolerance of bribery and corruption

Assess risks to quality

- Identify and understand risks to delivering quality engagements and implement effective mitigating controls

Communicate effectively

- Provide insight, and maintain open and honest two-way communication
- Actively manage information flows within firms and between firms, regions and global
- Conduct and follow-up on the Global people survey
- Issue external communications, including transparency reports

Monitor and remediate

- Rigorously monitor and measure quality at the local and global level – e.g. Quality performance review
- Obtain, evaluate and act on stakeholder feedback
- Anticipate opportunities to improve quality
- Perform root cause analysis

See [KPMG International's Transparency Report](#) for more information on our approach to audit quality.



Appendix 7: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





Appendix 8: Environmental, Social and Governance (ESG)

The Importance of Sustainability Reporting



Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies' ESG performance and transparency affecting brand acceptance and consumer demand



Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company's material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start



Appendix 8: Environmental, Social and Governance (ESG)

All companies are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on the industry-specific risks.

How might climate-related risks impact the financial statements?

**01**

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the SPPI criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

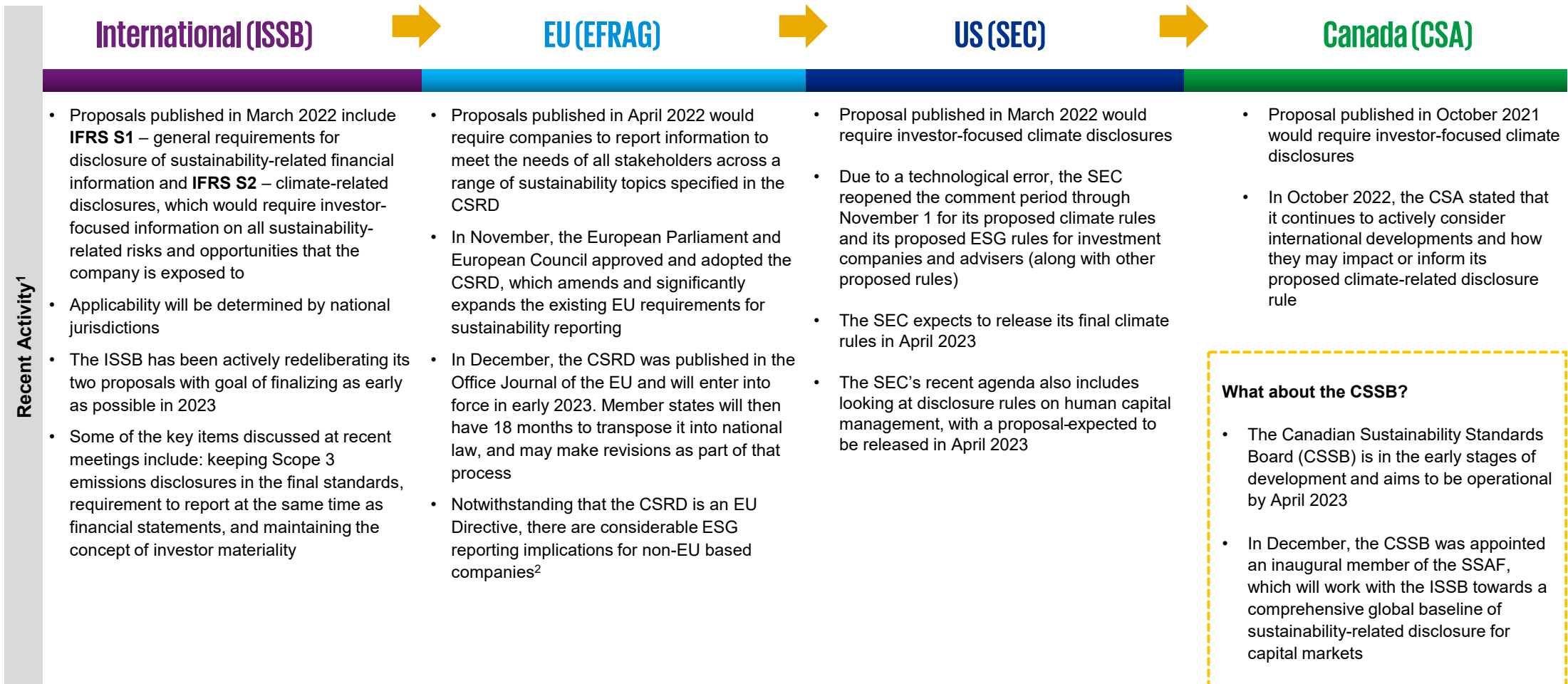


[See here for more information](#)



Appendix 8: Environmental, Social and Governance (ESG)

The Sustainability reporting journey: Regulatory update



1. Refer to our [Q4 2022 Current Developments – Spotlight on IFRS](#), [Q4 2022 Current Developments – Canadian Securities](#) and [Q4 2022 US Quarterly Outlook](#) publications for more details

2. Refer to our publication [ESG in Europe – Requirements covering non-EU companies formally adopted](#)



Appendix 8: Insights to enhance your business

ESG Discovery | Client journey



What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.



Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.



Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire
- All participate in a 3-hour ESG Discovery session
- Sponsor attends a 30-minute debrief following session with KPMG



What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions



Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.



What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help



Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization



kpmg.ca

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KPMG member firms around the world have 227,000 professionals, in 145 countries.



Capital Region Housing Corporation

Detailed Variance Analytics

(Statement of Financial Position)

Statement of Financial Position
As at December 31, 2022
Variance Analytics - year over year

2022	2021	Variance \$	Variance %	Explanation (greater than 150k and 10%)
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Financial Assets

Cash and cash equivalents	10,350,289	7,872,078	2,478,211	31%	Cash increase primarily related to increases in capital project activity: increases in AP and capital financing at year end.
Accounts receivable	2,887,911	1,374,220	1,513,691	110%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Prepaid	697,314	628,182	69,132	11%	
Investments	6,500,000	-	6,500,000	100%	New GICs in 2022.
Cash and cash equivalents restricted for RR	8,168,045	6,900,663	1,267,382	18%	RR balance increase due to contributions exceeding spending from RR.
Capital Assets	217,260,292	188,330,922	28,929,370	15%	Increase primarily due to Twenty-Seven Eighty-Two project completion and significant WIP at Caledonia and Michigan redevelopments.
Total Financial Assets	245,863,851	205,106,065	40,757,786	20%	

Financial Liabilities & Net Assets

Current Liabilities

Accounts payable and other liabilities	4,014,199	2,062,933	1,951,266	95%	AP increase primarily due to the construction draws at Caledonia and Michigan redevelopments payable at year end.
Accrual mortgage interest	336,975	326,483	10,492	3%	
Due to CRD	425,418	80,748	344,670	427%	Due to timing of settling intercompany accounts.
Deferred Revenue	591,704	701,750	(110,046)	-16%	
Security Deposits	1,141,108	1,034,183	106,925	10%	
Short-term capital financing	21,157,445	2,151,025	19,006,420	884%	Primarily due to Twenty-Seven Eighty-Two construction financing converted to mortgage on Jan 1, 2023.
Mortgage payable - current	6,213,290	6,151,134	62,156	1%	
Mortgage payable - renewal	595,492	3,747,610	(3,152,118)	-84%	Mortgages payable renewal portion decreased as a result of fewer mortgages renewing in 2023 than 2022.
Total Current Liabilities	34,475,631	16,255,866	18,219,765	112%	

Mortgages Payable	151,795,738	150,343,987	1,451,751	1%	
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Capital Stock	1	1	-	0%	
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Net Assets

Invested in capital assets	46,108,390	26,879,486	19,228,904	72%	Increase driven by increase in capital assets.
Externally restricted	12,127,169	10,076,031	2,051,138	20%	Increase due to net income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	1,126,460	1,003,312	123,148	12%	
Unrestricted	865,527	664,933	200,594	30%	Increase due to corporate fund net income.
Accumulated remeasurement gains (losses)	(635,065)	(117,551)	(517,514)	-440%	Due to unrealized losses on investments.
Total Financial Liabilities & Net Assets	245,863,851	205,106,065	40,757,786	20%	

Capital Region Housing Corporation

Detailed Variance Analytics

(Statement of Operations)

Capital Region Housing Corporation
Statement of Operations
Year ended December 31, 2022
Variance: year-over-year

	2022	2021	Variance \$	Variance %	Explanation (greater than 150k and 10%)
Revenue					
Tenant rent contributions	21,246,546	18,482,139	2,764,407	15.0%	Increase relates to full occupancy at 3 new buildings: Spencer, West Park, and Hockley House.
BCHMC rent subsidy assistance	302,636	330,338	(27,702)	-8.4%	
BCHMC umbrella operating agreement funding	2,760,874	2,858,390	(97,516)	-3.4%	
Rental management fees - third parties	81,139	79,548	1,591	2.0%	
Investment income	529,936	212,091	317,845	149.9%	Increase relates to increased interest rates at financial institutions.
Guest suites, net	4,371	(1,096)	5,467	-498.8%	
Miscellaneous	275,547	226,598	48,949	21.6%	
Project management fees	411,000	361,732	49,268	13.6%	
Government contributions	18,336,829	5,929,330	12,407,499	209.3%	Increase due to capital grant funding for ongoing construction projects.
Total Revenues	43,948,878	28,479,070	15,469,808	54.3%	
Expenses					
Administration and property management	3,280,235	2,599,269	680,966	26.2%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Amortization	7,359,920	7,140,382	219,538	3.1%	
Property taxes	4,500	28,751	(24,251)	-84.3%	
Insurance	1,267,119	1,139,572	127,547	11.2%	
Maintenance	1,625,882	1,231,145	394,737	32.1%	Increase primarily related to increased ability to access to suites after Covid restrictions were lifted.
Caretakers	1,797,648	1,789,881	7,767	0.4%	
Landscape	402,165	409,285	(7,120)	-1.7%	
Electricity	342,902	402,265	(59,363)	-14.8%	
Land and Improvement leases	299,474	294,000	5,474	1.9%	
Water	1,415,924	1,309,824	106,100	8.1%	
Oil and gas	246,876	174,264	72,612	41.7%	
Garbage	338,958	312,005	26,953	8.6%	
Audit and legal	33,600	33,642	(42)	-0.1%	
Miscellaneous	34,425	33,580	845	2.5%	
Hospitality services (Parry Place)	321,584	298,093	23,491	7.9%	
Interest on mortgages payable	3,573,882	3,282,707	291,175	8.9%	
Repayment of BCHMC capital contribution	-	-	-	0.0%	
Loss on disposal of capital assets	-	437,439	(437,439)	-100.0%	No disposals this year.
Total Expenses	22,345,094	20,916,104	1,428,990	6.8%	
Excess (deficiency) of revenues over expenses	21,603,784	7,562,966	14,040,818	186%	

Capital Region Housing Corporation Other Financial Statement Analysis

Appendix E: Other Financial Statement Analysis

The audit has now been completed. The 2022 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

3. Statement of Change in Net Assets and Remeasurement Gains and Losses

The Statement of Change in Net Assets reports the annual surplus and changes in the following funds:

- Operating Fund (Corporate Fund and Rental Housing Fund)
- Restricted Fund (Capital Fund and Replacement Reserve Fund)
- Remeasurement Gains/(Losses)

Table 5 summarizes the change in net assets and remeasurement gains and losses in 2022 compared to 2021.

Table 5 – Change in in Net Assets and Remeasurement Gains and Losses Year over Year

Statement of Net Assets & Remeasurement Gains (\$ millions)	2022	2021
Net Assets, Beginning of Year	38.5	31.2
Annual Surplus	21.6	7.5
Subtotal	60.1	38.7
Unrealized loss on investments	(0.5)	(0.2)
Net Assets, End of Year	\$59.6	\$38.5

Total net assets increased from 2021 by \$21.6 million or 56%. \$18.3 of the \$21.6 million annual surplus is a result of increased government grant contributions for various housing construction projects. These grants are recognized as revenue in the year they are spent resulting an annual surplus in 2022. Net assets are offset by (\$0.5) million due to an unrealized loss on investments.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period. It breaks down these cash flows into three distinct categories: operating activities, investing activities, and financing activities. The positive cash flow from operating activities means that core operations is generating enough cash to maintain operations, buy new assets and cover future-related mortgage payments. Table 6 summarizes the change in cash by activity comparing 2022 to 2021.

Table 6 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2022	2021
Operating activities	29.6	15.7
Capital activities	(36.3)	(34.9)
Investing activities	(8.3)	(1.2)
Financing activities	17.4	21.3
Net change in cash & cash equivalents	2.4	0.9
Cash & cash equivalents, beginning of year	7.9	7.0
Cash and cash equivalents, end of year	\$10.3	\$7.9

In 2022, the cash position increased by \$2.4 million. The change in cash was due to \$29.6 million from operating activities for net revenue after expenses, \$17.4 million from financing activities for debt proceeds received, and \$36.3 million paid as construction costs at Twenty-Seven Eighty-Two, Caledonia, and Michigan Square.

5. Schedules

A. Schedule of Changes in Replacement Reserve Fund

Replacement reserve is a method of setting aside funds to cover a rental property's anticipated future capital improvement expenses (replacement of a roof, carpets, appliances, and so forth). Schedule A of the financial statements details the annual Changes in the Replacement Reserve Fund by property, including contributions, interest, and transfers to the Capital Fund.

B. Schedule of Changes in Portfolio Stabilization Reserves

In accordance with operating agreements, a Portfolio Stabilization Reserve (PSR) has been established for each rental portfolio's accumulated operating surplus. Annual operating surplus/(deficit) is transferred to the PSR, and the CRHC Board has control over specified fund use as per related operating agreement requirements. Schedule B is a summary of PSR reserve activity per portfolio.

C. Schedule of Capital Assets

Schedule C is a listing of tangible capital assets at book value per building, classified by land, prepaid lease, buildings, equipment, and transfers from replacement reserve fund. Accumulated amortization is based on the limited useful life of an asset, excluding land, regardless of how the asset acquisition was funded.

D. Schedule of Capital Fund – Mortgages Payable

Schedule D provides a summary of mortgage details by property and the cumulative principal which relates to current mortgage renewal in the following year, and the long-term mortgage payable.

E. Schedule of Operating Fund – Rental Operations

Schedule E provides a summary of each property's annual rental operations, with a focus on revenues and expenditures during the fiscal year. It determines how a surplus or deficit was generated per property and the related transfer to the portfolio stabilization reserve.

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 03, 2023**

SUBJECT **Next Steps Related to Provincial Decriminalization of Controlled Substances**

ISSUE SUMMARY

In response to the January 31, 2023, decriminalization of personal possession of small amounts of controlled substances, Capital Regional District (CRD) staff have been working with Island Health, the Ministry of Mental Health and Addiction (MMHA) and the BC Centre for Disease Control (BCCDC) to determine an appropriate CRD response.

BACKGROUND

On February 1, 2023, the Hospitals and Housing Committee received a staff report that provided information about decriminalization. The report concluded that CRD staff would continue to work with MMHA, BCCDC and Island Health to understand the impact of decriminalization and report back on their guidance around local government responses.

MMHA and BCCDC have moved away from providing specific province-wide recommendations to local governments. Instead, they have created a “Decriminalization in B.C.” webpage on the [BCCDC's website](#) that addresses common questions and potential concerns related to decriminalization for local governments. Their key message recommends local governments engage with their local health authority to develop a response to decriminalization.

CRD staff have engaged in discussions about decriminalization and Bylaw No. 3962, “Capital Regional District Clean Air Bylaw No. 1, 2014” (Clean Air Bylaw or CAB attached as Appendix A) with Island Health. Island Health is not expecting a significant shift in consumption patterns due to decriminalization. They have recommended that the CRD maintain the status quo until the full impact of decriminalization becomes clear; at such time, any potential amendments necessary to protect the public’s health can be considered.

Island Health is working with MMHA and other relevant partners to monitor and evaluate the implementation of decriminalization. Should this monitoring indicate that local government intervention is required, Island Health will work with CRD staff to develop an appropriate response.

IMPLICATIONS

Public Health Implications

Island Health and the BCCDC have identified limited research into the health impacts of secondhand smoke of controlled substances as it is difficult to obtain legal and ethical approval for such studies. The evidence that does exist indicates that the nature of the substances and the way in which they are consumed pose little public health risk. There is no certain public health benefit of controlling exposure to secondhand smoke related to controlled substances.

Intergovernmental Implications

In alignment with the *Community Charter*, S.B.C. 2003, c. 26, and the *Public Health Bylaws Regulation*, B.C. Reg. 42/2004, any amendments to the CAB would have to be approved by the

Minister of Health and the local Medical Health Officer responsible for health matters within the CRD. Island Health via the Medical Health Officer for the South Island has advised against amending the CAB currently due to the lack of a clear public health concern. Because of this, it is unlikely that an amendment to the CAB would be approved by either Island Health or the Minister of Health.

On January 26, 2023, Campbell River's City Council passed a bylaw that would ban consumption of controlled substances on all municipal property against the recommendations of their Medical Health Officer. Pivot Legal Society challenged this ban asking the BC Supreme Court to declare the bylaw was out of the city's jurisdiction and was contrary to the provisions of the *Local Government Act* and *Community Charter* (outlined above). As a result, Campbell River's City Council repealed the bylaw on February 23, 2023. No court decision was made.

Under decriminalization, there may be cases where people using controlled substances are asked to stop and further steps may be taken by police and other levels of enforcement officers. For example, if someone is consuming on private property and is trespassing, police will be able to enforce the provincial *Trespass Act*.

Financial Implications

Maintaining the status quo would not impact current budgets. Amending the CAB will have financial implications related to conducting a legal review of amendments and associated changes to enforcement arrangements.

CONCLUSION

MMHA and the BCCDC have advised local governments to work with their local health authorities to determine the best response to decriminalization. Island Health has advised the CRD to maintain status quo and will update CRD staff should that guidance change.

RECOMMENDATION

There is no recommendation. This report is for information only.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health and Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Bylaw No. 3962, "Capital Regional District Clean Air Bylaw No. 1, 2014"



BYLAW NO. 3962

**CAPITAL REGIONAL DISTRICT
CLEAN AIR BYLAW NO. 1, 2014**

ADOPTED September 10, 2014

Includes all amending bylaws adopted up to January 9, 2019

(Bylaws No. 4237 & 4272)

A bylaw for the purposes of maintaining, promoting and preserving the public health of the inhabitants of the Capital Regional District to prohibit, regulate and impose requirements in relation to smoking in the Capital Regional District.

Consolidated for Public Convenience Only

This bylaw is for reference purposes only.

For reference to original bylaws or for further details, please contact the Capital Regional District, Legislative Services Division, 625 Fisgard St., PO Box 1000, Victoria BC V8W 2S6

T 250-360-3127, F 250-360-3130, www.crd.bc.ca

**CAPITAL REGIONAL DISTRICT
BYLAW NO. 3962**

**A BYLAW TO PROMOTE CLEAN AIR BY REGULATING
ENVIRONMENTAL SMOKE**

Bylaw 4237

W H E R E A S:

- A. By Supplementary Letters Patent dated May 16, 1974, the powers, duties and obligations of all participating member Municipalities and any other local authorities to perform the function conferred on the Capital Regional District pursuant to Division XI – Community Health were transferred to the exclusive jurisdiction of the Capital Regional District, including, but without limiting the generality of the foregoing, the health powers conferred upon the Council of a municipality by the *Community Charter*, S.B.C. 2003, c. 26;
- B. The Board of the Capital Regional District may, by bylaw, pursuant to section 523 of the *Local Government Act*, R.S.B.C. 1996, c. 323, regulate and prohibit for the purposes of maintaining, promoting and preserving public health and maintaining sanitary conditions and undertake any other measures it considers necessary for those purposes;
- C. The Capital Regional District has been granted the additional power to exercise the powers conferred on a council of a municipality under section 8(3)(i) of the *Community Charter*, S.B.C. 2003, c. 26, in accordance with section 14 of the Capital Regional District Regulation, B.C. Reg. 65/90;
- D. Section 9(4) of the *Community Charter*, S.B.C. 2003, c. 26, and the Public Health Bylaws Regulation, B.C. Reg. 42/2004, requires that a bylaw to be adopted under section 2(a) or (b) of B.C. Reg. 42/2004 not be adopted unless the bylaw or a copy of it is first deposited with the Minister of Health and the local government has consulted with the Medical Health Officer responsible for health matters within the Capital Regional District;
- E. A copy of this bylaw has been deposited with the Minister of Health and the Board of the Capital Regional District has consulted with the Medical Health Officer;
- F. Environmental smoke whether from tobacco, cannabis, heated vapour or the burning of other substances can contain Class A carcinogens similar to benzene and asbestos, contain fine particles that can be inhaled deep into the lungs causing harm both locally and in other parts of the body, and is a health hazard to the inhabitants of the Capital Regional District;

Bylaw 4237

- G. It is generally recognized by scientific and medical communities that there is no safe level of smoke exposure and that whether the smoking occurs indoors or outdoors exposure to significant levels of environmental smoke can occur: and

Bylaw 4237

- H. It is desirable for the purposes of maintaining, promoting and preserving the public health of the inhabitants of the Capital Regional District to prohibit, regulate and impose requirements in relation to smoking in the Capital Regional District.

NOW, THEREFORE, the Board of the Capital Regional District, in open meeting assembled HEREBY ENACTS AS FOLLOWS:

1. INTERPRETATION

In this Bylaw:

“*burn*” or “*burning*” means the combustion or heating of a substance to produce smoke, vapour, aerosol or other substances that can be inhaled;

Bylaw 4237

“*business*” means carrying on a commercial or industrial undertaking of any kind or nature or the provision of a professional, personal or other service and includes an activity carried on by a government, government agency, Crown corporation, educational institution, municipality, regional district, or charitable organization;

“*bus stop*” means a place on a bus route marked by a sign at which buses stop to pick up and drop off passengers and includes a transit shelter;

“*Community Charter*” means the *Community Charter*, SBC 2003, Chapter 26;

“*Controlled Drugs and Substances Act (Canada)*” means the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19;

Bylaw 4237

“*designated public space*” means public playing fields, public playgrounds and public squares;

“*Enforcement Officer*” means a person appointed as a bylaw enforcement officer or contractor by the Capital Regional District to enforce this Bylaw;

“*Independent School Act*” means the *Independent School Act*, R.S.B.C. 1996, c. 216;

Bylaw 4237

“*Local Government Act*” means the *Local Government Act*, RSBC 1996, Chapter 323;

“*main entrance*” means a place where the name or information about a park, designated public space or school yard is posted or a place designed by a responsible person as a common entry point by the public;

“*no-smoking sign*” means a no-smoking sign prescribed by this Bylaw;

“*park*” means land acquired, reserved or dedicated as a regional park or community park in accordance with the *Local Government Act* or the *Community Charter* and land acquired, held, occupied, zoned or regulated as park by a local government and shall include, without restricting the generality of the foregoing, within such parks, all beaches, public playgrounds, public playing fields, public squares, roadways and paths, but shall not include any highway passing through such park that has been dedicated as highway by plan of subdivision or that has been laid out, constructed and maintained by the Ministry of Transportation of the Province of British Columbia, or a local government, or that is a public highway under the *Highway Act*;

“*prominently*” means placed in such a position that the text of the sign or graphic symbol is clearly visible to a person in a school yard or inside a building, structure or vehicle or passenger conveyance, except a private residence;

“*public playgrounds*” means lands held, occupied, zoned or regulated for use by the public as outdoor areas containing playground equipment;

“*public playing fields*” means lands held, occupied, zoned or regulated for use by the public as outdoor areas for sporting activities;

“*public square*” means land acquired, reserved or dedicated as a public square in accordance with the *Local Government Act* or *Community Charter*;

“*responsible person*” means the person who controls, governs or directs the activity carried on within the building, place or premises referred to in this Bylaw and includes the person actually in charge thereof;

“*School Act*” means the *School Act*, R.S.B.C. 1996, c. 412;

Bylaw 4237

“*school yard*” means that portion of the lands of a school or francophone school as defined in the *School Act* and *Independent School Act* without buildings;

Bylaw 4237

“*smoke*” or “*smoking*” means burning a cigarette or cigar containing tobacco or another substance, or burning or heating tobacco or another substance using a pipe, hookah pipe, lighted smoking device or vapourizing device;

Bylaw 4237

“*transit shelter*” means a covered structure or facility located at a designated bus stop to provide protection from the elements for passengers waiting for a bus.

“*vapourizing device*” means an electronic device that vapourizes a solid, liquid or gas substance for inhalation:

Bylaw 4237

2. PROHIBITION

(1) No person shall carry or have in his possession a burning cigarette or cigar containing tobacco or another substance or a pipe containing burning tobacco or another substance, or burn tobacco or another substance using a pipe, hookah pipe, lighted smoking device or vapourizing device:

- a) in any park except in a private vehicle;
- b) in any designated public space;
- c) in any school yard;
- d) inside any part of a building or structure except in a private residence, hotel or motel room, or tent or trailer in a campsite;
- e) in any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
- f) in any vehicle or passenger conveyance, except in a private vehicle;
- g) within seven (7) metre area measured on the ground from a point directly below any point of a doorway, window or air intake in a place described in subparagraphs 2(1)(d) and (e);

Bylaw 4272

- h) within seven (7) metres of a bus stop measured on the ground from any point of the bus stop sign.

- (2) No responsible person shall permit a person to carry or have in his possession a burning cigarette or cigar containing tobacco or another substance or pipe containing burning tobacco or another substance, or to burn tobacco or another substance using a hookah pipe, lighted smoking device or vapourizing device:
- (a) inside any part of a building or structure, except inside a private residence, hotel or motel room, or tent or trailer in a campsite;
 - (b) in any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
 - (c) in any vehicle or passenger conveyance, except in a private vehicle.

- (3) Section 2(1) does not apply to a ceremonial use of tobacco in relation to a traditional aboriginal cultural activity.
- (4) Subsections 2(1) and 2(2) do not apply to a controlled substance within the meaning of the *Controlled Drugs and Substances Act (Canada)*.

3. POSTING OF SIGNS

- (1) A responsible person must display, or ensure the display of, a sign at all times, in the form established under paragraph 4(1):
- (a) at the main entrances to a park;
 - (b) at the main entrances to a designated public space;
 - (c) at the main entrances to a school yard;
 - (d) at each entrance to a building or structure for which that person is a responsible person except a private residence, hotel or motel room, or a tent or trailer in a campsite;
 - (e) inside a vehicle or passenger conveyance, except in a private vehicle;
 - (f) at any area of a business place where either or both food and beverages are served or consumed, or both served and consumed;
- (2) A responsible person must display, or ensure the display of, a sign, at all times, on each exterior wall of a building or structure where the prohibition contained in section 2(1) applies, that states:
- “Smoking is prohibited within seven (7) meters of openings into this building or structure including doors and windows that open and any air intake.”

4. SIGNS

- (1) A no-smoking sign shall state,
- (a) the phrase "no smoking", or
 - (b) a graphic symbol substantially in the form shown on Schedule "A" attached to this Bylaw, which shall be a minimum of six centimetres in diameter
- and may include
- (c) the words "Capital Regional District Bylaw No. 3962 Maximum Penalty

\$2,000.00."

- (2) A sign prescribed by former Capital Regional District Bylaw Nos. 2217 and 2401, and No. 3962 as it was prior to being amended by Capital Regional District Clean Air Bylaw No. 1, 2014, Amendment Bylaw No. 1, 2018, is a lawful no smoking sign for the purpose of this Bylaw.

Bylaw 4237

- (3) No person shall remove, alter, conceal, deface, write upon or destroy any sign posted pursuant to this Bylaw.

5. SEVERABILITY

If any section, subsection, sentence, clause or phrase of this Bylaw is for any reason held to be invalid by the decision of any Court, the section, subsection, sentence, clause or phrase may be severed from the remaining portion of this Bylaw.

6. OFFENCE

- (1) A person who contravenes, violates or fails to comply with any provision of this Bylaw, or who suffers or permits any act or thing to be done in contravention or violation of this Bylaw, or who fails to do anything required by this Bylaw, commits an offence and shall be liable, upon conviction, to a fine of not more than Two Thousand Dollars (\$2,000.00), the costs of prosecution and any other penalty or order imposed pursuant to the *Local Government Act*, *Community Charter* or the *Offence Act* (British Columbia). Each day that an offence against this Bylaw continues or exists shall be deemed to be a separate and distinct offence.
- (2) The penalties imposed under Section 6(1) shall be in addition to and not in substitution for any other penalty or remedy imposed by this Bylaw or any other statute, law or regulation.

7. INSPECTION

An Enforcement Officer is authorized to enter onto and into any land, building, structure or premises for the purposes established by sections 419 and 284 of the *Local Government Act* and any other authority to enter property granted in the *Local Government Act*, *Community Charter*, or another Act in accordance with the provisions of section 16(1)-(5) of the *Community Charter*, or other conditions of entry, if any, set out in the *Local Government Act*, *Community Charter* or another Act.

Bylaw 4237

8. REPEAL

Capital Regional District Bylaw No. 2401 is hereby repealed.

9. TITLE

This Bylaw may be cited as the "Capital Regional District Clean Air Bylaw No. 1, 2014."

10. EFFECTIVE DATE

The effect of this Bylaw is suspended until April 1, 2015 and this Bylaw shall come into force effective April 1, 2015.

READ A FIRST TIME THIS	9 th	day of	July	2014
READ A SECOND TIME THIS	9 th	day of	July	2014
AMENDED THIS	13 th	day of	August	2014
READ A THIRD TIME THIS	13 th	day of	August	2014
DEPOSITED WITH THE MINISTER OF HEALTH THIS	25 th	day of	August	2014
ADOPTED THIS	10 th	day of	September	2014

[original signed by]

CHAIR

[original signed by]

CORPORATE OFFICER

CAPITAL REGIONAL DISTRICT
CLEAN AIR BYLAW NO. 3962

SCHEDULE "A"

Bylaw 4237

The following graphic symbol is prescribed for the purpose of Section 4(1).





Making a difference...together

REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MAY 03, 2023

SUBJECT **Future Housing Partnerships Alternative Approval Process and Bylaw Amendments**

ISSUE SUMMARY

To permit the borrowing of up to \$85 million (M) through the Land Assembly, Housing and Land Banking service in support of partnership opportunities related to increasing the supply of affordable, inclusive, and adequate housing in the region.

BACKGROUND

In September 2019, the Capital Regional District (CRD) Board authorized staff to amend Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010" (Appendix A – showing track changes from proposed Bylaw No. 4551 amendment) to remove a borrowing maximum of \$25M under the service as well as remove a 25-year limit on the length of time a housing agreement could be entered into. At the same meeting, the CRD Board also authorized staff to proceed with obtaining elector assent for Loan Authorization Bylaw No. 4327 to permit the borrowing of \$10M in support of the Regional Housing First Program (RHFP). The amendment bylaw and the loan authorization bylaw were adopted in March 2020.

As the RHFP was moving toward full program build out, staff advanced a white paper, *Future Housing Priorities and Partnerships* (FHPP), in July 2022. The white paper identified three areas of focus including:

- **Acquisition fund** to increase and preserve the supply of affordable rental and create future redevelopment opportunities, purchase of shovel-ready developments or acquire land for development of affordable housing;
- **Rural Housing Strategy** to increase, preserve and broaden the supply of affordable housing in small and rural communities, recognizing the need to approach housing solutions in rural communities with different assumptions than those used for conventional housing interventions in growing urban regions; and,
- Increase the supply of **housing with supports for people with complex needs** currently not adequately supported by the traditional model as a compliment to new provincial Complex Care Housing initiative.

The Board endorsed the FHPP and directed staff to develop a program framework and identification of funding partnership contributions to address unmet housing needs in the capital region based on the priorities identified in the white paper. The Board included a fourth area of focus which is to ensure the rapid and ongoing expansion of newly built publicly owned affordable housing in the CRD. Staff will report out on the program framework in Q4 2023.

On September 21, 2022, as part of provisional budget review, the Board directed staff to report back on options for increasing funding for land acquisition for housing. This report was received at the Hospitals and Housing Committee (HHC) as an information report on March 1, 2023 (Appendix B). The HHC passed a referral motion directing staff to report back on the implications of amending Bylaw No. 3712, which was received by the Board on April 12, 2023, where the Board then passed the following motions:

1. *That staff be directed to bring forward a report with an amendment to Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010" to increase the allowable annual maximum requisition by \$5 million to \$10 million; and,*
2. *Create a loan authorization bylaw to enable the financing of up to \$85 million from the increase of the allowable annual maximum requisition of \$5 million.*

Due to recent changes in interest rates as well as assessed property values, the estimated annual requisition to support \$85 million in borrowing now stands at \$5.3M. As a result, the proposed amendment of \$0.062 per \$1,000 of assessed value equates approximately to a new maximum requisition of \$11.5M instead of the \$10.0M referenced in the Board motion.

Bylaw No. 4551, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023" is attached as Appendix C and the Bylaw No. 4552, "Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023" is attached as Appendix D to this staff report.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4551, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023", be introduced, read a first, second, and third time;
2. That Bylaw No. 4552, "Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023", be introduced, read a first, second, and third time; and,
3. That participating area approval for Bylaws No. 4551 and No. 4552 in the municipalities be obtained via council consent on behalf of electors, and by alternative approval process in the electoral areas, and if successful, that staff provide the bylaws to the Inspector of Municipalities for approval.

Alternative 2

That the Future Housing Partnerships Alternative Approval Process and Bylaw Amendments report be referred to staff for additional information based on Hospitals and Housing Committee direction.

IMPLICATIONS

Intergovernmental Implications

On January 12, 2023, the Province announced the creation of a \$500M fund administered by a newly created Rental Protection Fund Society (RPFS) to enable non-profits to purchase buildings and protect affordability for current and future tenants. Though there remain key details that have yet to be announced, staff have engaged BC Non-Profit Housing Association (BCNPHA), who is actively working with other stakeholders to develop the RPFS.

Preliminary discussions have identified a viable path toward a possible partnership between the CRD and the RPFS to acquire and protect existing Naturally Occurring Affordable Housing (NOAH) within the capital region. However, as the RPFS is a newly formed society, more extensive discussions are on hold until it has a Chief Executive Officer (CEO) in place, which is

expected by the midway point of 2023 and the CRD has a demonstrated capacity to consider investment into a potential partnership.

Focusing more broadly on general land acquisition and potential partnerships, the province recently released its 2023 provincial budget, which included the following:

- \$394M over three years in new capital funds to acquire lands for future affordable and market housing development along main transit corridors. Full details on how these funds are to be deployed and the constraints/targets informing this investment have yet to be released. Forthcoming information will inform ongoing work related to FHPP.
- \$4.2 billion (B) over three years with \$2.2B in operating and \$2B in capital funding to support Building BC programs. It is important to note that this \$4.2B includes the previously mentioned \$394M to support land acquisition along transit corridors as well as a range of other investments. Budget 2023 identifies \$260M as new capital investment over three years to support Building BC and BC Housing programs, such as the Community Housing Fund (CHF).
- \$169M over three-years in capital funding to help create additional complex-care beds to support individuals with complex mental-health and substance-use challenges and whose needs are not being met through the current intervention landscape. Budget 2023 also includes \$97M in operating funding to provide clients of this intervention with health-focused supports and services.

Building on the funding commitments made through Budget 2023, the province released Homes for People: An action plan to meet the challenges of today and deliver more homes for people, faster. A summary overview of the four pillars of the action plan, action items and potential connections to current or future CRD initiatives is attached as Appendix E.

On April 12, 2023, the province and the Metro Vancouver Regional District (MVRD) announced a Memorandum of Understanding (MOU) that will help to advance 2,000 units of rental housing over 10-years under the new Homes for People program. Phase 1 of this partnership includes an investment of \$158M over three-years from the provincial government and is expected to support 660 new units at five sites identified by MVRD. Foundational to this partnership is a commitment from MVRD of land and cash equity totaling \$217M over 10-years.

Though still in the early stages, staff are actively engaging a range of key stakeholders to explore partnership opportunities in the following areas:

- Protect and preserve NOAH in partnership with the RPFS;
- Acquire lands for future affordable housing development along transit corridors;
- Working through the Capital Region Housing Corporation (CRHC), apply for any funding programs as available to advance the acquisition of lands and/or fund the capital costs associated with developing new affordable rental units;
- Develop scoping and feasibility for a Rural Housing Program, including advancing partnerships with other agencies and pursuing funding opportunities;
- Working in partnership with the Capital Regional Hospital District (CRHD), collaborate with Island Health (IH) and the Ministry of Mental Health and Addictions to explore partnerships related to complex-care housing; and,
- Look to the model of MVRD to consider a longer-term MOU that could leverage CRD-investment, if available.

Service Delivery Implications

As the current capacity under Bylaw No. 3712 is fully committed to already approved initiatives, consideration of any additional projects will require new resourcing. The recent announcements from the provincial government provide several areas of opportunity that staff are actively exploring. Should the CRD create the capacity to invest into potential partnerships, it will demonstrate an enhanced commitment to addressing key regional challenges and will also provide staff with the ability to signal to prospective partners the opportunity to leverage and layer funds to achieve a greater impact than would otherwise be possible.

It is also important to note that any efforts to advance work related to FHPP involved two related, but distinct steps. The first is to create the capacity, which involves an amendment to Bylaw No. 3712 and a new loan authorization bylaw. The second step will be to authorize debt on a project-by-project basis or as a part of the annual financial plan approval process.

Alignment with Board & Corporate Priorities

On April 12, 2023 the CRD Board approved the 2023-2026 Corporate Plan. The following initiatives under the Housing Priority are directly related to advancing the recommendations contained within this staff report:

- 5a-1 Increase supply of affordable, inclusive and adequate housing across the region;
- 5a-2 Pursue funding opportunities and matching funds to deliver more housing;
- 5b-1 Support continued investment into existing housing stock to preserve and enhance the quality of the buildings and units; and,
- 5b-2 Protect existing market rental housing to preserve affordability.

Financial Implications

To access additional funds under this service, the amendment to Bylaw No. 3712 along with the new loan authorization bylaw require approval and adoption.

Upon adoption of both bylaws and before any funds can be expended, the financial plan will need to be updated to include revenue, expenses and borrowings. In addition, before any funds can be borrowed against the loan authorization, the board will be asked to approve a Security Issuing Bylaw.

Bylaw No. 3712 currently has a maximum requisition limit (based on property assessment values) and an existing loan authorization bylaw. The borrowing limit currently authorized is \$35M and is entirely committed in support of approved RHFP projects, after which the bylaws will no longer be active.

To establish the capacity to borrow up to an additional \$85M, the maximum requisition will need to increase to accommodate the estimated cost of the annual debt repayment. Given recent shifts in interest rates and assessed property values, the estimated annual requisition to support \$85 million in borrowing is \$5.3M. Based on this estimate and for certainty, the amended maximum acquisition proposed is \$11.5M or \$0.062/\$1,000 of assessed value. The estimated debt servicing costs will be based on the specific future projects and related borrowings, as approved within future Financial Plan Bylaws. For example, if the full \$85M were borrowed at the MFA's current indicative interest rate of 4.4% (as of April 24, 2023), the estimated annual debt servicing cost would be approximately \$5.3M, with an amortization term of 30 years. Debt servicing costs are funded by requisition, and actual borrowings in each of the next five years will depend on that year's cash flow requirements.

Legislative Implications

To borrow funds long-term (i.e., beyond five years), the approval of a loan authorization bylaw and subsequently, and separately, a security issuing bylaw are required under the *Local Government Act*. As part of the loan authorization bylaw approval process, the bylaw requires elector approval. Elector approval can be obtained through consent on behalf of municipal participants and electoral participating areas (by sub-regional AAP), a referendum, or by a regional alternative approval process (AAP) for the entire service area. Consent on behalf of municipal participants, and by alternative approval process in the electoral areas, is initiated when the loan authorization bylaw has received third reading by the Board and approval by the Inspector of Municipalities and are the preferred methods administratively in this instance. These processes will be undertaken concurrently, and are expected to take six months, including the eight weeks of waiting on provincial approval of the assent method and the approval of the service amendment and loan authorization bylaws.

To ensure optimization of interest and timing of long-term debt, issuance of a temporary borrowing will be proposed if Ministerial approval is obtained, and the elector approval process proves successful. The timing of the debt issuance will be based on the timing of expenditures and will be dependent on prevailing interest rates at the time. Before long-term debt issuance can be exercised, a security issuing bylaw will be brought forward for approval. The term of debt issuance under the loan authorization will be 30 years.

CONCLUSION

The current requisition capacity of Bylaw No. 3712 is fully committed to approved initiatives. New initiatives and resourcing will require an establishing bylaw amendment and a new loan authorization bylaw. Both bylaws require Inspector of Municipalities approval and elector assent. If the recommendations within this staff report are approved, staff will seek consent on behalf of electors in the municipalities and will undertake an AAP for the electoral areas.

As part of continuing to advance efforts related to the FHPP, staff have been actively exploring a range of partnerships related to acquiring and preserving NOAH, acquiring lands on or near transit corridors, working through the CRHC to acquire and/or advance affordable housing projects, scoping a rural housing program, working in partnership with the CRHD on complex-care housing, and looking to longer-term partnership opportunities with senior levels of government.

The ability of the CRD to demonstrate a willingness to invest into prospective partnerships will significantly advance these exploratory discussions. Debt will not be incurred, nor requisition increased, until approved on a specific project or through the annual service planning and financial planning processes.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4551, “Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023”, be introduced, read a first, second, and third time;
2. That Bylaw No. 4552, “Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023”, be introduced, read a first, second, and third time; and,

3. That participating area approval for Bylaws No. 4551 and No. 4552 in the municipalities be obtained via council consent on behalf of electors, and by alternative approval process in the electoral areas, and if successful, that staff provide the bylaws to the Inspector of Municipalities for approval.

Submitted by:	Don Elliott, MUP, BA, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

- Appendix A: Bylaw No. 3712, “Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010”
- Appendix B: Staff Report: Capital Regional District Land Banking and Housing Land Acquisition Financing, March 1, 2023
- Appendix C: Bylaw No. 4551, “Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023”
- Appendix D: Bylaw No. 4552, “ Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023”
- Appendix E: Summary: Homes for People: An action plan to meet the challenges of today and deliver more homes for people, faster

**CAPITAL REGIONAL DISTRICT
BYLAW NO. 3712**

**A BYLAW TO CONVERT THE AUTHORITY FOR LAND ASSEMBLY, HOUSING AND LAND
BANKING TO AN ESTABLISHING BYLAW FOR LAND ASSEMBLY, HOUSING AND LAND BANKING**

WHEREAS:

- A. By Supplementary Letters Patent, Division XII dated July 25, 1974, as amended by further Supplementary Letters Patent, the Capital Regional District was granted the function of Land Assembly, Housing and Land Banking which included the power to undertake land assembly for the purpose of housing, either public or private and, public housing, pursuant to the provisions of the National Housing Act, the Municipal Act of the Province of British Columbia, the Housing Act of British Columbia, and other legislations of the Province of British Columbia pertaining to land assembly and, public housing, as if the regional district were a municipality;
- B. The Board of the Capital Regional District wished to exercise the function granted to it by the Letters Patent in accordance with Part 24 of the Local Government Act subject to all of the terms and conditions contained in the Letters Patent and including all the powers granted by the Letters Patent within all member municipalities and electoral areas.
- C. The Board of the Capital Regional District wished to proceed under section 774.2 of the Local Government Act and convert the service to a service exercised under the authority of a bylaw for the Regional District by bylaw under sections 774.2(3) and 796 of the Local Government Act;
- D. The Board of the Capital Regional District has obtained the consent on behalf of the electors under section 801.4 and 801.5 of the Local Government Act.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled enacts as follows:

1. Service

- a) The service established by this Bylaw is the conversion of the Authority for Land Assembly, Housing and Land Banking to an Establishment Bylaw for Land Assembly, Housing and Land Banking and includes:
 - i) The power to undertake land assembly for the purpose of housing, either public or private, and public housing;
 - ii) Authorizing the Regional Board to create one or more corporations to undertake land assembly for the purpose of housing, either public or private and, public housing;
 - iii) Authorizing the Regional Board to act as a guarantor for one or more corporations established under ii) above;
 - iv) Authorizing the Regional Board to borrow on behalf of the service or for corporations established under ii) above;
 - v) Authorizing the Regional Board to participate in any Provincial or Federal government or related agencies' housing program as if the Capital Regional District were a municipality;
 - vi) Authorizing the Regional Board to enter into housing-related agreements and housing agreements for any duration, pursuant to the provisions of the Local Government Act;

(BL 4326)

2. Boundaries

The boundaries of the service are the boundaries of the Capital Regional District.

3. Participating Area

The participating areas of the service include all municipalities and electoral areas of the Capital Regional District.

4. Cost Recovery and Apportionment of Costs

The annual costs for the service may be recovered by one or more of the following:

- a) Property value taxes imposed in accordance with Division 4.3 or Part 24 of the Local Government Act;
- b) Fees and charges imposed under section 363 of the Local Government Act;
- c) Revenues raised by other means authorized by the Local Government Act or another Act;
- d) Revenues received by agreement, enterprise, gift, grant or otherwise.

5. Reporting

The Regional Board shall establish operating and financing reporting requirements for any and all corporations as established under Section 1 of this bylaw.

6. Maximum Requisition

~~In accordance with 800.1(1)(e) of the Local Government Act, the maximum amount that may be requisitioned for the cost of the Service is the greater of:~~

- ~~a) Two million four hundred twenty three dollars (\$2,423,000);~~
- ~~b) A property value tax rate of \$.031 per one thousand (\$1,000) dollars that, when applied to the net taxable value of land and improvements in the Service Area, will yield the maximum amount that may be requisitioned for the Service.~~

In accordance with Section 339(1)(e) of the Local Government Act, the maximum amount that may be requisitioned for the cost of the Service is the greater of:

- a) Eleven million five hundred thousand dollars (\$11,500,000); or
- b) A property value tax rate of \$0.062 per one thousand (\$1,000) dollars that, when applied to the net taxable value of land and improvements in the Service Area, will yield the maximum amount that may be requisitioned for the Service.

(BL 4551)

7. Citation

This Bylaw may be cited as the "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010".

CONSENTED TO by two-thirds of the councils of the Municipalities of Victoria, Saanich, Esquimalt, Oak Bay, Sidney, North Saanich, Central Saanich, View Royal, Highlands, Colwood, Langford, Metchosin, Sooke, and the Directors of the Electoral Areas of Juan de Fuca, Salt Spring Island and the Southern Gulf Islands.

READ A FIRST TIME THIS	14 th	day of	July	2010
READ A SECOND TIME THIS	14 th	day of	July	2010
READ A THIRD TIME THIS	14 th	day of	July	2010
APPROVED BY THE INSPECTOR OF MUNICIPALITIES	27 th	day of	October	2010
ADOPTED THIS	10 th	day of	November	2010

Original signed by Geoff Young
CHAIR

Original signed by Sheila Norton
CORPORATE OFFICER

FILED WITH THE INSPECTOR OF MUNICIPALITIES THIS 17th day of November 2010

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 01, 2023**

SUBJECT **Capital Regional District Land Banking and Housing Land Acquisition Financing**

ISSUE SUMMARY

To report on options to fund land acquisitions for affordable housing.

BACKGROUND

On September 21, 2022, the Capital Regional District (CRD) Board passed a motion directing staff *to report back on options for increasing funding for land acquisition for housing.*

On July 13, 2022, the Board directed staff to proceed on priorities identified in the *Future Housing Priorities and Partnerships* report, which included land acquisition for affordable housing.

Land values in the capital region continue to appreciate annually, increasing economic barriers to develop affordable housing. Front loading land acquisition can mitigate downstream costs by leveraging the time value of land, enabling greater flexibility to deliver more affordable housing.

Since receiving Board direction, staff have begun exploring the possibility of establishing an acquisition fund with the intention of working collaboratively with other levels of government to preserve existing Naturally Occurring Affordable Housing (NOAH). Staff are also seeking to acquire land that provide “shovel ready” development opportunities or could be held for future residential development.

Through the remainder of 2023, staff will continue to advance a range of activities including the exploration of funding alternatives, business cases, eligibility criteria, roles and responsibilities of potential funding partners and plans for monitoring and reporting as well as other related activities. Once complete, staff will report back to the Hospital and Housing Committee for direction.

This information report focuses on options to fund land acquisition for housing purposes and is intended to support continued exploration of a potential acquisition fund that is still under development.

IMPLICATIONS

Analysis

Authority

Under Bylaw No. 3712, the Land Banking and Housing (LBH) Service (Service No. 1.310) has authority to acquire and assemble land for the purpose of housing. The existing service establishment bylaw currently has a maximum requisition limit (based on property assessment values) and has an existing loan authorization bylaw. The borrowing limit currently authorized is \$35 million and is entirely committed to the existing program approved in the service and financial

plans. Incremental commitments would require service establishment amendments and a new loan authorization bylaw. Regional cost apportionment for this service is based on property assessments.

Under Bylaw No. 3266, the Regional Housing and Trust (RHTF) Service (Service No. 1.311) has authority to raise up to \$1 million and contribute those funds to projects that include funds from other partners. The existing cost apportionment is 50% property assessments and 50% population. Additionally, there is an option for a participant to voluntarily increase their contribution. The service currently has sub-regional participation consisting of 11 municipalities and two electoral areas. The available capacity within this service is limited to the maximum requisition of \$1 million, has no borrowing authority and is not authorized to directly acquire or hold property. Its purpose is to act in the limited capacity as a contributor, assisting with the acquisition and pursuit of affordable housing projects.

The Capital Regional Housing Corporation (CRHC) is a wholly owned not-for-profit organization of the CRD providing affordable housing in the region. The CRHC is also able to finance land purchases for the purpose of developing and operating affordable housing, however, the CRHC has limited borrowing and revenue capacity based on the inherent operating model.

Economic Indicators

While interest rates and the cost of borrowing are increasing and subsequently translating to higher costs, there has been an offsetting impact on real estate valuation in the region. Additionally, domestic interest rate forecasts are signaling stabilization in the coming year. With local demand continuing to show year-over-year increases in real estate values, analysis supports asset value growth net of financing costs.

Capacity

The LBH service can increase requisition regionally to increase funding for land acquisition. Requisition funding can be used to pay cash or to service debt borrowed for acquisitions. Borrowing can increase the amount of purchases through leverage and is advantageous when appreciation exceeds the cost of debt.

Two alternatives (listed below) simulate scenarios to increase funding for acquisition where each is incremental to existing program commitments.

Alternative 1 considers requisition to fund acquisitions directly. Paying cash provides immediate funding for acquisitions or to be set aside in an acquisition fund. Table 1 below provides estimated impact of increasing requisition by \$0.5 million, \$1 million and \$5 million:

Table 1: Revenue Implications – Cash for Acquisitions

Description	2023 Financial Plan	Scenario					
		A		B		C	
LBH \$ Requisition	\$1.4 million	+\$0.5 million		+\$1.0 million		+\$5.0 million	
LBH Change per Avg HH	\$7	+\$3	+34%	+\$5	+68%	+\$26	+338%
Total CRD Cost/Avg HH	\$509	\$512	+0.6%	\$514	+1%	\$535	+5%

Alternative 2 considers requisition to fund acquisitions by repaying debt over time. Table 2 shows total principal available with the same increased requisition funding as considered in Table 1.

Table 2: Revenue Implications – Borrowing for Acquisitions

Description	2023 Financial Plan	Scenario					
		A		B		C	
LBH Borrowing		\$8.5 million		\$20 million		\$85 million	
LBH \$ Requisition	\$1.4 million	+\$0.5 million		+\$1.0 million		+\$5.0 million	
LBH Change per Avg HH	\$7	+\$3	+34%	+\$5	+68%	+\$26	+338%
Total CRD Cost/Avg HH	\$509	\$512	+0.6%	\$514	+1%	\$535	+5%

Revenue implications in Table 1 and Table 2 indicate a general impact on revenue and borrowing capacity only, they do not represent acquisition cost estimates and do not reflect size and scale of an acquisition program. These estimates can be used by Committee in considering appropriate affordable housing strategies. A report addressing program development will be brought back to a future Committee meeting.

CONCLUSION

On September 21, 2022, the CRD Board passed a motion directing staff to report back on options for increasing funding for land acquisition for affordable housing. On July 13, 2022, the Board directed staff to proceed on priorities as identified in the *Future Housing Priorities and Partnerships* report, which included land acquisition for affordable housing. This information report focuses on options to fund land acquisition for housing purposes and is intended to support the acquisition fund currently under development. An increase to funding for land acquisition, beyond

the existing revenue and authorized capacity already committed, would require a service establishment bylaw amendment and potentially the approval of a new loan authorization.

RECOMMENDATION

There is no recommendation. This report is for information only.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

CAPITAL REGIONAL DISTRICT

BYLAW NO. 4551

**A BYLAW TO AMEND THE LAND ASSEMBLY, HOUSING AND LAND BANKING
SERVICE ESTABLISHMENT BYLAW NO. 1, 2010**

WHEREAS:

- A. By Supplementary Letters Patent, Division XII dated July 25, 1974, as amended by further Supplementary Letters Patent, the Capital Regional District was granted the function of Land Assembly, Housing and Land Banking which included the power to undertake land assembly for the purpose of housing, either public or private and, public housing pursuant to the provisions of the *National Housing Act*, the *Municipal Act*, the *Housing Act*, and other legislation pertaining to land assembly and public housing, as if the regional district were a municipality;
- B. Under Bylaw No. 3712, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, the Capital Regional District converted this to a service under the *Local Government Act* in all member municipalities and electoral areas (the "Service");
- C. The Board desires to increase the maximum requisition, in order to implement housing initiatives in the Capital Regional District, and Bylaw No. 4552, "Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023", details anticipated borrowing to be supported by the increased requisition;
- D. Under Sections 345 and 346 of the *Local Government Act*, participating area approval in the municipalities shall be obtained by consent on behalf and in the electoral areas by Alternative Approval Process; and
- E. The approval of the Inspector of Municipalities is required under Section 403 of the *Local Government Act*.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled enacts as follows:

- 1. Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010" is hereby amended by replacing Section 6, Maximum Requisition, in its entirety as follows:

In accordance with Section 339(1)(e) of the *Local Government Act*, the maximum amount that may be requisitioned for the cost of the Service is the greater of:

- a) Eleven million five hundred thousand dollars (\$11,500,000); or
- b) A property value tax rate of \$0.062 per one thousand (\$1,000) dollars that, when applied to the net taxable value of land and improvements in

the Service Area, will yield the maximum amount that may be requisitioned for the Service.

2. This Bylaw may be cited as the "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 2, 2023".

READ A FIRST TIME THIS	___ th	day of	_____	2023
READ A SECOND TIME THIS	___ th	day of	_____	2023
READ A THIRD TIME THIS	___ th	day of	_____	2023
ADOPTED BY THE INSPECTOR OF MUNICIPALITIES THIS	___ th	day of	_____	2023
RECEIVED THE ASSENT OF THE ELECTORS THIS	___ th	day of	_____	2023
ADOPTED THIS	___ th	day of	_____	2023

CHAIR

CORPORATE OFFICER

CAPITAL REGIONAL DISTRICT

BYLAW NO. 4552

**A BYLAW TO AUTHORIZE THE BORROWING OF EIGHTY-FIVE MILLION DOLLARS
 (\$85,000,000) FOR FUTURE HOUSING PARTNERSHIPS**

WHEREAS:

- A. By Supplementary Letters Patent, Division XII dated July 25, 1974, as amended by further Supplementary Letters Patent, the Capital Regional District was granted the function of Land Assembly, Housing and Land Banking which included the power to undertake land assembly for the purpose of housing, either public or private and, public housing pursuant to the provisions of the *National Housing Act*, the *Municipal Act*, the *Housing Act*, and other legislation pertaining to land assembly and public housing, as if the regional district were a municipality;
- B. Under Bylaw No. 3712, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, the Capital Regional District converted this to a service under the *Local Government Act* in all member municipalities and electoral areas (the "Service");
- C. It is deemed desirable to borrow additional funds in the amount of Eighty-Five Million Dollars (\$85,000,000) for the Service, which is the amount of debt intended to be authorized under this Bylaw, for use to support future housing partnership opportunities and advance the CRD Board priority of increasing supply of affordable, inclusive and adequate housing in the region;
- D. It is proposed that the financing is to be undertaken by the Municipal Finance Authority of British Columbia pursuant to proposed agreements between it and the CRD;
- E. Pursuant to Section 407 of the *Local Government Act*, participating area approval is required and shall be obtained in the municipalities by consent on behalf and in the electoral areas by Alternative Approval Process under Sections 345 and 346 of the *Local Government Act*; and,
- F. The approval of the Inspector of Municipalities is required under Section 403 of the *Local Government Act*.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled enacts as follows:

- 1. The Board is hereby empowered and authorized to borrow upon the credit of the Capital Regional District a sum not exceeding Eighty-Five Million Dollars (\$85,000,000) for the purposes of Land Assembly, Housing and Land Banking, including to support future housing partnership opportunities and to increase supply of affordable, inclusive and adequate housing in the region, and do all things necessary in connection therewith and without limiting the generality of the forgoing, to acquire all such real property, easements,

rights-of-way, licenses, rights or authorities as may be requisite or desirable for or in connection with the Land Assembly, Housing and Land Banking Service.

2. This Bylaw may be cited as the "Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 3, 2023".

READ A FIRST TIME THIS	___ th	day of	_____	2023
READ A SECOND TIME THIS	___ th	day of	_____	2023
READ A THIRD TIME THIS	___ th	day of	_____	2023
ADOPTED BY THE INSPECTOR OF MUNICIPALITIES THIS	___ th	day of	_____	2023
RECEIVED THE ASSENT OF THE ELECTORS THIS	___ th	day of	_____	2023
ADOPTED THIS	___ th	day of	_____	2023

CHAIR

CORPORATE OFFICER

Summary Homes for People

HOMES FOR PEOPLE: An action plan to meet the challenges of today and deliver more homes for people, faster

“A fast-growing population combined with the effects of the pandemic on the housing market means we have to do more – a lot more – to ensure every person and family in B.C. has a home that they can afford and meets their needs.”

- Home for People (p. 4)

Homes for People is built on four priorities that provide a range of potential partnership opportunities that relate directly to the CRD's approved 2023-2026 Corporate Plan.

PILLAR	NOTES
Unlocking more homes faster	<ul style="list-style-type: none"> • More small scale, multi-unit housing (townhomes, duplexes, and triplexes) • Make it easier and more affordable for people to rent out secondary/basement suites – CRD: Part of work related to SGI Housing Strategy & Rural/Remote – Could be expanded to support broader regional efforts. Starting in early 2024, homeowners can access a 5-year forgivable loan up to 50% of the cost of renovations to a max of \$40K. CRD may be able to administer these through the Housing Agreement Program. • Work with municipalities to make sure more homes are built in communities, faster • Speed up permitting and approvals to get homes built faster • Become a North American leader in digital permitting • Deliver more homes and services near transit – CRD/CRHC: Part of work related to acquisition stream of Housing Priorities & Partnership. Province is targeting 10,000 units at or near transit over 10-15 years. • Launch BC Builds – A new program dedicated to delivering homes for middle-income people – CRD/CHRC: Could apply and/or look to increase stock depending on program design/eligibility parameters. • Expand B.C.'s construction workforce and spur innovation • Explore new ways to get more rentals built – CRD/CRHC: Partnership opportunities under the Housing Priorities & Partnerships. • Build more homes with mass timber
Delivering better, more affordable homes	<ul style="list-style-type: none"> • Thousands more social housing units – CRD/CRHC: Can increase activity subject to available funds & capacity. Province working to create 6,000 more subsidized rental home through expanded CHF. Province entered MOU with Metro Vancouver Housing Corp. • Deliver 4,000 additional on-campus rooms for post-secondary students • End discriminatory age and rental restrictions in stratas

	<ul style="list-style-type: none"> • Protect affordable rental units through \$500 million fund – CRD/CRHC: Look to partner under the acquisition stream of the Housing Priorities & Partnerships work. • Create more housing through partnerships with Indigenous communities – CRD/CRHC: Areas of opportunity include RHI though CRD and housing operation support though CRHC. • Revitalize co-op housing
Supporting those with the greatest housing need	<ul style="list-style-type: none"> • New income tested renter's tax credit • More homes to support people experiencing homelessness – CRD: Continued support though RHI in partnership with Gov of Canada. CRHD: Efforts to work in support of Complex Care. Province is targeting 240 additional Complex Care beds in 12 locations across BC. • New actions to close encampments • Partner to redevelop and replace single room occupancy units in DTES • Revitalize and expand aging BC Housing properties • More Rent Bank support to help tenants in crisis keep their homes – CRD: Continued support though Reaching Home Program.
Creating a housing market for people, not speculators	<ul style="list-style-type: none"> • Implement a "Flipping Tax" • Stricter enforcement on short-term rentals • Solve renter/landlord disputes faster and get tougher on bad-faith evictions • Turn more empty units into homes by expanding the Speculation and Vacancy Tax to additional areas • Crack down on criminal activity in real estate • Offer more protections for renters displaced by redevelopment – CRHC: Already included within the CRHC policy.



Making a difference...together

Minutes of a Meeting of the Regional Housing Trust Fund Commission Held May 26, 2021 via Microsoft Teams Meeting

PRESENT: **Commissioners:** Ann Baird, Gary Holman, Ebony Logins, Terri O'Keeffe, Sarah Potts, David Screech, Zac de Vries, Eric Wood Zhelka

ABSENT: **Commissioners:** Meagan Brame, Paul Brent, David Howe, Marie-Terese Little, Celia Stock, Bob Thompson

Staff: Kevin Lorette, General Manager, Planning and Protective Services; Don Elliott, Senior Manager, Regional Housing; John Reilly, Manager, Housing Initiatives and Programs; Kimberly Lemmon, Manager, Planning & Development; Erin Welch, Administrative Assistant, Housing Initiatives and Programs (recorder)

The meeting was called to order at 2:02 pm.

1. Territorial Acknowledgement

Commissioner David Screech acknowledged the traditional territories of the Lekwungen speaking people as well as other First Nations whose lands the commissioners present are working.

2. Welcome and Introductions

Commissioner David Screech welcomed new and returning commission members and introduced CRD staff who support the RHTF. Quorum was confirmed.

3. APPROVAL OF AGENDA

MOVED by Commissioner Sarah Potts, **SECONDED** by Commissioner Terri O'Keeffe
That the agenda be approved as circulated.

CARRIED

4. APPROVAL OF MINUTES OF April 8, 2021

MOVED by Commissioner Terri O'Keeffe, **SECONDED** by Commissioner Ann Baird
That the minutes from the April 8, 2021 Regional Housing Trust Fund meeting be approved as circulated.

CARRIED

5. APPROVED RHTF PROJECTS UPDATE

Staff advised of no updates to the Commission on the current RHTF-funded projects as the projects report had not changed. Commissioner Sarah Potts commented that she lives near the Michigan Street development and has recused herself at CoV Council meetings and wants to flag this development for future discussions.

Motion to receive the report as written.

MOVED by Commissioner Ann Baird **SECONDED** by Commissioner Ebony Logins

CARRIED

6. Prosser Application

CRHC staff shared the 1909 Prosser Rd RHTF Commission Presentation and clarified that building A is the CRHC affordable housing project being considered for the RHTF grant while building B will be a supportive housing project to be run by a separate operator TBD by BC Housing. CRHC staff addressed commissioner questions around the following: contingency, increased costs in construction materials and the impact on project timeline; affordability and tenant mix, if modular was appropriate/considered, parking revenue, cost of land and whether there would be on onsite caretaker. HIP staff discussed review and assessment of project.

MOVED by Commissioner Ebony Logins, **SECONDED** by Commissioner Eric Wood Zhelka
That the Regional Housing Trust Fund (RHTF) Commission recommends to the Capital Regional District Board: That a grant in the amount of \$615,000 to the Capital Region Housing Corporation be approved to support the development of 41 additional units of affordable rental housing at 1909 Prosser Road, Victoria, subject to meeting the terms of the RHTF Grant Funding Agreement.

CARRIED

7. ROUND TABLE

Commissioner Potts asked if excess funding for the fiscal year could be utilized to support deeper affordability. HIP staff discussed RHFP projects and parameters of the affordability to which the grants are allocated is within the Commission's purview to set. RHTF funded units within this project and the other projects, because they didn't receive any other subsidy from provincial government, are available to the rent supplement programs that BC Housing operates. Additional programs were discussed that provide different levels of affordability (Community Housing Fund). Commissioner Screech asked about CRHC's equity as RHFP winds down. Commissioner Eric Wood Zhelka asked if the regions Mayors will be invited to the openings of the various projects that are currently underway, once completed.

8. ADJOURNMENT

MOVED by Commissioner Sarah Potts, **SECONDED** by Commissioner Ebony Logins
That the meeting be adjourned.

CARRIED

The meeting adjourned at 2:51 pm.

Chair



Making a difference...together



Capital Region Housing Corporation

Tenant Advisory Committee (TAC)

Minutes of Meeting of December 2, 2022 (3:30 - 5:00pm) Room 488
625 Fisgard Street, Victoria, BC, and remotely via Microsoft Teams

Present:

Staff: D. Elliott, K. Lambert, S. Grigg, K. Rushton

MS Teams: Co-Chair David Wallace, K. Naraghi, R. Loewen, N. Thompson, C. Coughlin, C. Novak

Regrets: C. Fischer, E. Syring

The meeting was called to order at 3:34pm

1. Territorial Acknowledgement

- D. Elliott provided a Territorial Acknowledgement.

2. Approval of Agenda

- It was moved by N. Thompson, and seconded by C. Novak that the Agenda for the December 2, 2022 meeting be approved.

CARRIED

3. Adoption of Minutes of September 26, 2022 Meeting

- It was moved by D. Wallace, and seconded by K. Naraghi, that the minutes of the September 26, 2022 meeting be approved.

CARRIED

4. Business Arising from the Minutes

- Update on garbage & recycling:
 - In addition to existing signage, CRHC is in conversation with CRD about piloting additional signage to encourage better waste disposal and recycling behaviour.
 - Garbage/recycling section was added to fall newsletter and will continue to be added in future copies.
- Update on tenant handbook distribution:
 - Copies added to most building lobbies/common spaces/notice boards. If you do not see them, please let your tenant engagement team know. If you require your own copy, please call CRHC directly.

5. Tenant Retention

- Conversation occurred around a program to update tenant's units and the delay in work during the pandemic. Staff explained the challenge of supply chain/lack of contractors and turnaround time for tenant requested upgrades. There has been a focus on items that pose health and safety risks first as we wait for contractors to address WorkSafe concerns among their staff and back log of work. Communication via tenant newsletter was proposed to ease concerns around these topics.

6. 2023 Tenant Advisory Committee – Continuing the Role of TAC

- The committee discussed the continuing role of TAC and what that looks like going into 2023. Discussion around changing tactics/formats was had.

7. 2023 Workplan

- The 2022 TAC year-end report will go to Hospitals and Housing Committee in February 2023. A new 2023 Annual Workplan will be created by staff and brought forward to members for review once complete.

8. What is Working Well?

- More attention has been paid to tidiness and keeping trash clear at Carillon
- Members thanked staff for having the opportunity to be part of TAC as it was a chance to be heard in a respectful environment.
- Caretaker at Millstream was given kudos; cleanliness and communication are great.

9. Roundtable - Accomplishments

- A roundtable was not completed.

10. Action Summary

- No actions were given.

11. Concluding Remarks

- D. Elliott thanked the committee and noted staff are appreciative of everything members have done to support TAC.

12. Adjournment

- It was moved by R. Loewen and seconded by C. Novak that the meeting be adjourned.

CARRIED

The meeting was adjourned at 5:06pm.