

Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

Wednesday, March 5, 2025

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, C. McNeil-Smith (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. [25-0213](#) Minutes of the February 5, 2025 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of February 5, 2025 be adopted as circulated.

Attachments: [Minutes - February 5, 2025](#)

4. Chair's Remarks

5. Presentations/Delegations

The public are welcome to attend CRD 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.

6. Committee Business

- 6.1. [25-0060](#) Capital Regional Hospital District Investment Portfolio Holdings and Performance Annual Update
- Recommendation:** There is no recommendation. This report is for information only.
- Attachments:** [Staff Report: CRHD Investment Portfolio Annual Update](#)
 [Appendix A: Investment Policy](#)
 [Appendix B: Market Analysis](#)
 [Appendix C: Investment Holdings and Performance](#)
- 6.2. [25-0061](#) Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual Update
- Recommendation:** There is no recommendation. This report is for information only.
- Attachments:** [Staff Report: Investment Portfolio Holdings Update](#)
 [Appendix A: Investment Policy](#)
 [Appendix B: Market Analysis](#)
 [Appendix C: Investment Holdings & Performance](#)
- 6.3. [25-0199](#) 3690 Richmond Road - Road Dedication to District of Saanich
- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
 That the Capital Regional Hospital District dedicate an 8.8 square metre portion of the 3690 Richmond Road property as District of Saanich municipal road for infrastructure and road safety improvements.
- Attachments:** [Staff Report: 3690 Richmond Rd - Rd Dedic'n to Dist of Saanich](#)
 [Appendix A: Reference Plan](#)
- 6.4. [25-0200](#) Rural Housing Program Pilot Project Update
- Recommendation:** There is no recommendation. This report is for information only.
- Attachments:** [Staff Report: Rural Housing Program Pilot Project](#)
 [Appendix A: Future Housing Priorities & Partnerships Framework](#)
 [Appendix B: Urban Matters Financial Feasibility Update Report](#)
 [Appendix C: CRD Rural Housing Pgrm What We Heard Rpt 2024](#)
 [Appendix D: CRD Pilot Proj ADU Incentive Pgrm Application Guide](#)

6.5. [25-0201](#) Castanea Place Mortgage Renewal

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

1. That the Resolution, Pre-Renewal Checklist and Commitment to Lend required by BC Housing Management Commission to renew the mortgage for Castanea Place through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 8 months be approved; and
2. That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their duly authorized delegates, together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.

Attachments: [Staff Report: Castanea Place Mortgage Renewal](#)
 [Appendix A: Resolution of Directors](#)
 [Appendix B: Pre-Renewal Checklist for Sponsor Groups](#)
 [Appendix C: Commitment to Lend](#)

7. Notice(s) of Motion**8. New Business****9. Adjournment**

The next meeting is April 2, 2025.

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, February 5, 2025

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, Z. de Vries (1:34 pm) (EP), G. Holman (EP), C. McNeil-Smith (Board Chair, ex officio) (EP)

Staff: T. Robbins, Chief Administrative Officer; D. Elliott, Acting General Manager, Housing, Planning and Protective Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; J. Proctor, Housing, Planning, Policy and Programs; J. Starke, Manager, Service Delivery, Southern Gulf Islands Electoral Area; M. Lagoa, Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

EP - Electronic Participation

Guests: A. Dunnet, BC Housing (EP); J. Fox, BC Housing

Regrets: Directors S. Brice, P. Jones

The meeting was called to order at 1:31 pm.

1. Territorial Acknowledgement

Vice Chair Caradonna provided a Territorial Acknowledgement.

2. Approval of Agenda

**MOVED by Director Brent, SECONDED by Director Caradonna,
That the agenda for the February 5, 2025 Hospitals and Housing Committee
meeting be approved.
CARRIED**

3. Adoption of Minutes

- 3.1. [25-0081](#) Minutes of the December 4, 2024 Hospitals and Housing Committee Meeting

**MOVED by Director Brent, SECONDED by Director Caradonna,
That the minutes of the Hospitals and Housing Committee meeting of December
4, 2024 be adopted as circulated.
CARRIED**

4. Chair's Remarks

There were no Chair's remarks.

5. Presentations/Delegations

5.1. Presentations

- 5.1.1. [25-0099](#) Presentation: Jennifer Fox and Allison Dunnet, BC Housing, Jamie Proctor, CRD; Re. Aligning the Federal/Provincial Homelessness Response

Director de Vries joined the meeting electronically at 1:34 pm.

J. Proctor, together with J. Fox and A. Dunnet spoke to the Aligning the Federal/Provincial Homelessness Response presentation.

Discussion ensued regarding:

- how coordinated access will improve work being done on the frontline and be implemented within the electoral areas
- the timeline to implement the Homeless individuals and Families Information System (HIFIS)
- clarification that the secured funding is binding through 2028
- the role that Alliance to End Homelessness in Greater Victoria might play in this effort

5.2. Delegations

There were no delegations.

6. Committee Business

- 6.1. [25-0037](#) 2025 Hospitals and Housing Committee Terms of Reference

D. Elliott presented Item 6.1. for information.

- 6.2. [25-0079](#) Reaching Home Contribution Agreement Extension

D. Elliott spoke to Item 6.2.

Discussion ensued regarding clarification of the increase to, and funding source of administrative costs.

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

That Edward Robbins, Chief Administrative Officer, or their duly authorized delegate, be authorized to negotiate and execute agreements with the Government of Canada and receive funds through the Reaching Home Program and do all things incidental to finalize such agreements and deliver the program.

CARRIED

7. Notice(s) of Motion

- 7.1. [24-1337](#) Motion with Notice: Rural Housing Program Suite Incentive (Director Holman)
- Discussion ensued regarding:
- clarification of the funding source for this program
 - the current status of the incentive program
- MOVED** by Director Holman, **SECONDED** by Director Caradonna,
The Hospitals and Housing Committee recommends to the Capital Regional District Board:
That staff report on the merits of a possible modest incentive for the Housing Now program.
DEFEATED
Opposed: Alto, Brent, de Vries, McNeil-Smith, Murdoch

8. New Business

There was no new business.

9. Adjournment

MOVED by Director Alto, **SECONDED** by Director Brent,
That the February 5, 2025 Hospitals and Housing Committee meeting be adjourned at 2:22 pm.
CARRIED

CHAIR

RECORDER

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 05, 2025**

SUBJECT **Capital Regional Hospital District Investment Portfolio Holdings and Performance Annual Update**

ISSUE SUMMARY

To provide an annual update on Capital Regional Hospital District (CRHD) investment holdings and performance for the period ended December 31, 2024.

BACKGROUND

The Capital Regional District (CRD) invests operating, capital and reserve funds in accordance with the *Local Government Act*, *Community Charter* and Board approved Investment Policy (Appendix A). The Investment Policy applies to the investment activities for all funds maintained by the CRD, the Capital Region Housing Corporation (CRHC) and the CRHD. The types and terms of investments purchased are evaluated on four fundamental objectives: safety of principal, liquidity, responsible investing and return on investment in alignment with the policy.

The policy also provides the minimum ratings of investment vehicles that can be purchased. Currently, investments in chartered banks or savings institutions must be rated R-1 (low) or higher for short-term investment and A- for long-term as published by major credit rating agencies. Both ratings indicate a superior credit rating on all investments.

Investments are continuously monitored to ensure the appropriate strategy through current and forecasted economic conditions. The CRHD invests net working capital and reserves in a mix of products including High-Interest Savings Accounts (HISA), fixed term Guaranteed Investment Certificates (GICs) and Municipal Finance Authority (MFA) pooled funds. The placement or divestiture of investments are timed with forecasted cash requirements.

Investments through 2024 have been made in alignment with the Board approved Investment Policy. Although economic and market conditions drove fluctuations and uncertainty in the portfolio, performance exceeded the benchmark rate as detailed in the report.

IMPLICATIONS

Financial Implications

Portfolio Holdings

As of December 31, 2024, the CRHD investment portfolio totaled \$28.3 million invested in short-term investments, as outlined in Table 1.

Table 1: CRHD Investment Holdings – as of December 31, 2024

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)	28.3	100.0%
Investments Long-Term (more than 2 years)	0.0	0.0%
Total Investments:	\$28.3	100.0%

As noted in Table 1, the CRHD investment portfolio on December 31, 2024 was distributed 100% to short-term investments. Investments with maturities less than two years are classified as short-term.

Performance

The total effective return on investments during 2024 was \$1.8 Million or 5.6%, driven by higher interest rates in 2024 impacting returns on HISAs and GICs.

Table 2 below shows the three-year trend on investment income.

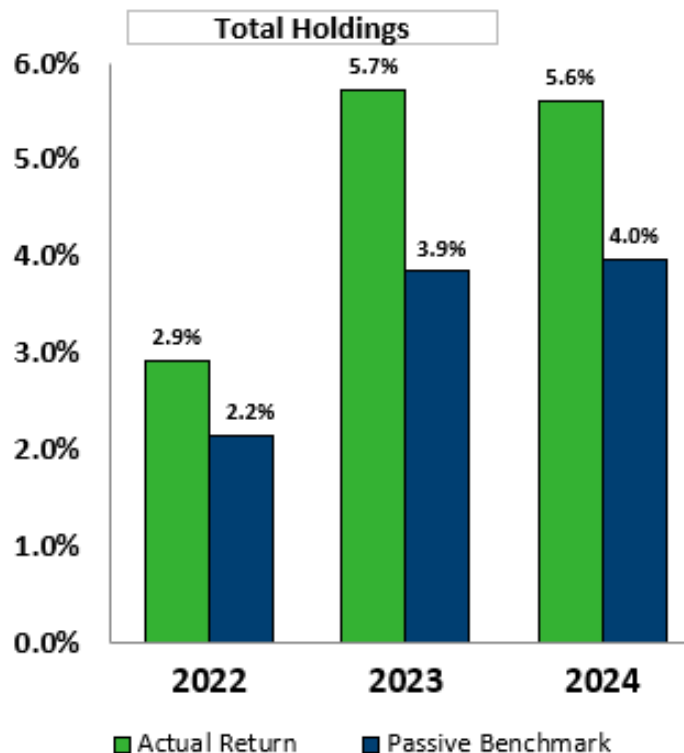
Table 2: CRHD Investment Income Three-Year Trend (\$ Millions)

	2022		2023		2024	
Passive Income	2.2%	\$0.5	3.9%	\$1.0	4.0%	\$1.3
Active Management	0.7%	\$0.1	1.8%	\$0.4	1.6%	\$0.5
Total	2.9%	\$0.6	5.7%	\$1.4	5.6%	\$1.8

The passive benchmark approach, which reflects investment returns without active management, underwent a methodology update effective 2024. Previously, the passive income benchmark was calculated using an average of bank deposit rates through the year, weighted by cash flow timing. The new approach calculates the benchmark using weighted average holdings across investment categories (GICs, HISAs, and MFA pooled funds). This adjustment ensures a more accurate representation of portfolio holdings, accounting for differences in passive investment returns based on their respective category. Table 2 above reflects this updated approach.

Graph 1 provides a summary report on investment returns in 2024.

Graph 1: CRHD Investment Results - 2024:



In 2024, the Bank of Canada lowered the overnight interest rate five times from elevated historic levels. Additional information can be found in Appendix B.

In 2024, the CRHD recorded average monthly cash outflows of \$3.4 million for operating, capital, and financing activities. Significant investments included acquiring Mt. Tolmie Hospital, expanding the Lady Minto Emergency Department, remediating the Fire Suppression System at the Summit, and funding minor equipment purchases and capital grants.

Strong cash flow forecasting and an active investment management strategy led to the rebalancing of the portfolio throughout the year to manage performance. Further details regarding investment holdings and performance can be found in Appendix C.

CONCLUSION

Overall, the CRHD portfolio of investments reflects the four fundamental objectives of safety of principal, liquidity, responsible investing and return on investment. Investments have been made in alignment with the Board approved Investment Policy and investment performance was in line with expectations for the year ended December 31, 2024.

RECOMMENDATION

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

Submitted by:	Andrew Hoge, CFA, CPA, CGA, Mgr., Corporate Finance & Treasury
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Investment Policy
Appendix B: Market Analysis
Appendix C: Investment Holdings and Performance



CAPITAL REGIONAL DISTRICT

Making a difference...together

INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Approved)		
Amendment #3	March 9, 2022 (Approved)		
Policy Owner	Financial Services		

1. PURPOSE

This investment policy provides the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC).

It is the policy of the CRD, CRHD and CRHC to invest funds in a manner that provides the optimal blend of investment security and return while meeting the short and long term cash flow requirements in support of the corporate plan priorities while maintaining compliance with statutory requirements.

2. SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds. It does not apply to funds held in trust or which have a specific legal or statutory requirement for cash management, disbursement, or investment.

3. PRINCIPLES

The investment of funds must reflect a management philosophy based on the fundamental objectives of

3.1 Safety of Principal

Investments shall be made to ensure preservation of principal within the portfolio. Preservation of principal is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on financial products.

3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

3.3 Responsible Investing

The investment program will consider socially responsible investment products that adhere to statutory requirements and meet the objectives laid out in this policy.

Organizations that adopt a socially responsible investment platform in alignment with the published MFA ESG framework are preferred

3.4 Return on Investment

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints, liquidity requirements and responsible investing objectives.

4. INVESTMENT PARAMETERS

4.1 Safety of Principal

The program will diversify cash reserve investments by security type and institution, taking into consideration the impact on return on investment. Section 5.4 outlines the authorized and suitable investments permissible to ensure optimal portfolio diversification.

4.2 Liquidity

To the extent possible, portfolio management will align investments with anticipated cash flow requirements. However, a portion of the portfolio shall be continuously invested in fully-liquid investments to meet ongoing obligations.

A long-term financial plan will be established for major capital reserves. The long-term financial plan will inform the term decision when placing timed investments in order to meet liquidity requirements.

4.3 Responsible Investing

Where responsible investment options provide comparable risk, return and liquidity, these facilities will be a priority. Investments are considered in alignment with responsible investing objectives when identified as meeting criteria as defined by MFA within the published MFA ESG Framework.

4.4 Return on Investment

The investment program will seek to maximize the total return on all funds under management after considering protection of principal, liquidity and responsible investing. Return will be monitored through performance benchmarks to ensure program activities are providing benefits in excess of costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.

4.5 Authorized and Suitable Investments

Money held may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

1. Investments in marketable securities of a chartered bank or savings institution or any province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of another rating organization, indicating equal or superior credit quality (see Appendix A of this policy).

2. Investment placements will conform to the portfolio diversification constraints listed in Appendix B. Exceptions to constraints listed in Appendix A require Chief Financial Officer approval and shall be reported to the Board through Standing Committee at the next available meeting.
3. Internal projects under CRD service authority are considered allowable investment options when capital reserves are not immediately required and can be accessed through inter-service borrowing. Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.

5. STANDARD OF CARE

5.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

5.2 Ethics and Conflict of Interest

Staff responsible for investing activities shall comply with the CRD Conflict of Interest Policy and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

5.3 Delegation of Authority

Authority to manage the investment program ("the Program") is granted to the Chief Financial Officer and is derived from section 237 of the *Local Government Act*.

5.4 Credit Risk Monitoring

To meet the objectives of this policy and ensure suitability of offerings, credit risk monitoring must be conducted by CRD Staff independent of vendor representations. The following due-diligence shall be performed:

1. In-house credit analysis shall be conducted on all financial institutions and investment counter-parties.
2. Credit reports and analysis, published by DBRS, S&P, Fitch or Moody's, will be obtained from financial institutions, investment dealers and rating institutions and reviewed.
3. Credit reports and analysis are recognized as opinions and not a guarantee for safety of principal.
4. When placing investments in individual marketable securities and more than one credit rating is available, the average of two or more available credit ratings shall be used.

5.5 Consolidated Basis

All funds covered by this policy will be managed on a consolidated basis to ensure the best possible return by providing economies of scale.

5.6 Program Requirements

The Program shall abide by the following reporting requirements:

1. The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from this policy; and
2. An appropriate portfolio performance benchmark will be set and reported in the annual investment performance report.

6. POLICY REVIEW

Review Date	Description:
March 2026, unless legislative change or new MFA finance product	To ensure ongoing relevance, this policy shall be reviewed the earlier of: <ol style="list-style-type: none">1. If a change in the relevant legislation governing the investment activities of local governments occurs;2. If the Municipal Finance Authority of British Columbia establishes a new pooled fund investment product; or3. Every five calendar years.

7. RELATED POLICY, PROCEDURE AND GUIDELINES

- Conflict of Interest Policy

Appendix A
Dominion Bond Rating Service (DBRS) Credit Quality Ratings

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	Bond & Long-term Debt	Description	CRD/CRHD/CRHC Investment Policy
R-1 (high)	AAA	Investment Grade ↑	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)		Good	
R-1 (low)	A			
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)		Speculative	
R-4	BB			
R-4	BB (low)			
R-4	B (high)			
R-5	B		Highly Speculative	
R-5	B (low)			
R-5	CCC			
R-5	CCC			
R-5	CCC			
R-5	CC			
R-5	C			
D	D			

Appendix B Portfolio Diversification Constraints

Exposure constraints target protection of principal and return and set a maximum allowable share of the total portfolio that can be invested.

Due to market fluctuations and / or the timing of investment deposit transfers, maximum percentages in Appendix C may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

The portfolio diversification constraints are found in Table 1 below:

Table 1: **Portfolio Diversification Constraints**

Investment Type	MAXIMUM of Total Reserves	MAXIMUM by Institution/product/ pooled fund
<u>Short-Term (< 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	50%	50%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
<u>Long-Term (> 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	60%	30%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
Internal Projects (5+ years)	30%	-
Federal Bonds	20%	10%
Municipal Finance Authority of BC Bonds	20%	20%
Provincial Bonds	15%	15%
Municipal, Regional District or Greater Board Bonds	15%	15%

Market Analysis

Applies to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

The 2024 economic landscape in Canada saw a shift towards lower interest rates after an extended period of monetary tightening. Interest rates, which began the year at elevated levels, started to decline after April 2024 as inflationary pressures eased.

The Bank of Canada cut its overnight policy rate five times throughout the year, bringing it down from 5.0% in January to 3.25% by December. These rate cuts were in response to significant declines in inflation, which approached the Bank's 2% target by year-end. With inflation nearing the Bank of Canada's target, future rate cuts will be considered on a case-by-case basis.

Table 1 below presents key economic indicator rates as of December 31, 2022-2024.

Table 1: Indicative Market Rates 2022 to 2024

Rate	2022	2023	2024
Bank of Canada - Overnight Rate	0.25% - 4.25%	4.25% - 5.00%	3.25% - 5.00%
HISA	0.72% - 4.80%	4.80% - 5.75%	3.75% - 5.50%
RBC - Bank Rate	0.70% - 4.70%	4.70% - 5.55%	3.80% - 5.55%
Fixed GIC - 180 Day / 1 Year (sample)	2.22% - 3.06%	5.30% - 5.60%	5.40% - 5.50%

Investment Marketplace

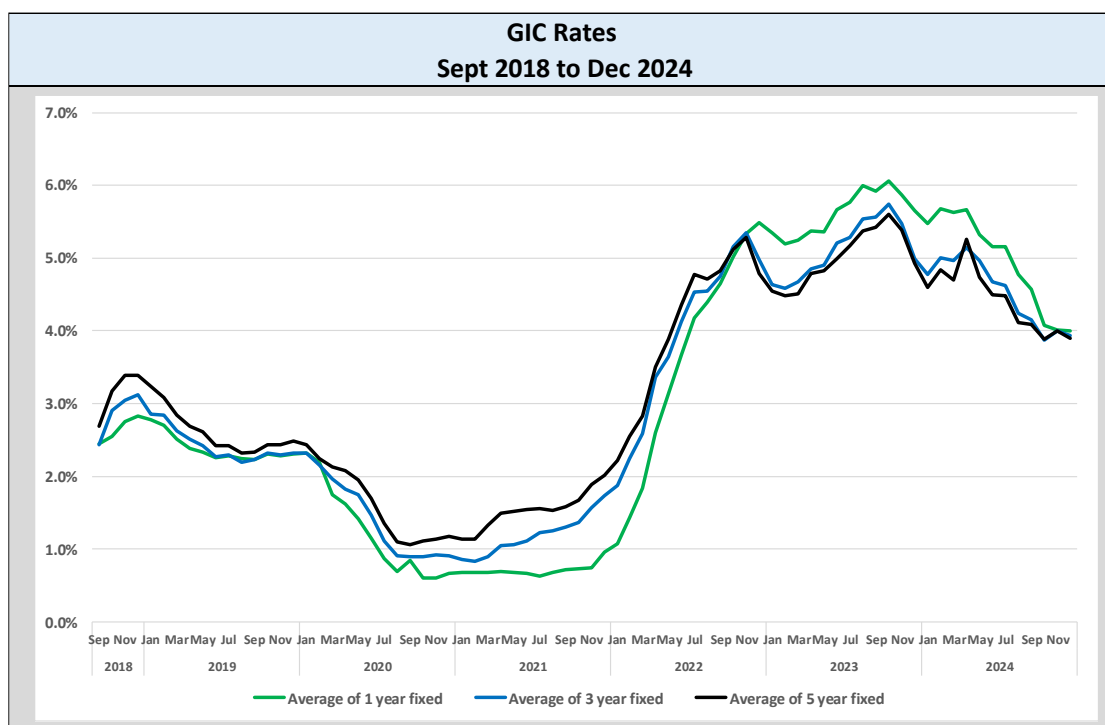
Fixed GIC rates followed a similar trajectory to the Bank of Canada overnight rate, reflecting the broader decline in interest rates across one to five-year GIC terms. These changes led to lower borrowing costs and reduced returns on deposit products.

Despite falling yields, fixed MFA pooled fund income returns remained positive in 2024, bolstered by capital gains from declining interest rates in the latter half of the year. Equity markets in Canada, the US, and globally delivered exceptional returns, rebounding strongly from weaker performance in prior years. These trends contributed to overall positive returns for MFA pooled funds, including the Diversified Multi-Asset Class (DMAC) fund, which benefited from both bond income and equity growth.

In 2024, High Interest Savings Account (HISA) rates decreased but remained competitive compared to Guaranteed Investment Certificate (GIC) rates across most terms. Consequently, by year-end allocations to HISAs were enhanced to optimize interest earnings.

As shown in Graph 1, GIC rates were at their highest late in 2023, and have been moving lower ever since.

Graph 1: GIC Historical Rates



The CRD continues to hold units in the MFA Bond Fund, MFA Fossil Fuel-Free (FFF) Bond Fund, the MFA DMAC Fund and the MFA Mortgage Fund. The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund.

For the calendar 2024 year, the FFF Bond Fund underperformed the MFA Bond Fund on an annual basis by 0.14% (5.53% versus 5.39% respectively). The FFF Fund's underweight position in the positively performing energy sector and overweight positions in Real Estate and Financial sectors, which experienced comparative spread widening, negatively impacted its returns over the year. The MFA Mortgage Fund returned 6.13% while the MFA DMAC returned 17.4% for 2024.

Staff will assess investment placements in existing and new MFA pooled funds in the future, for the CRD, the CRHD, and the CRHC, as the need to place long-term funds arises.

Investment Holdings and Performance

Portfolio Holdings

On December 31, 2024, the Capital Regional Hospital District (CRHD) held \$28.3 million in long-term investments, as detailed in Table 1 below.

Table 1: CRHD Investment Holdings – December 31, 2024

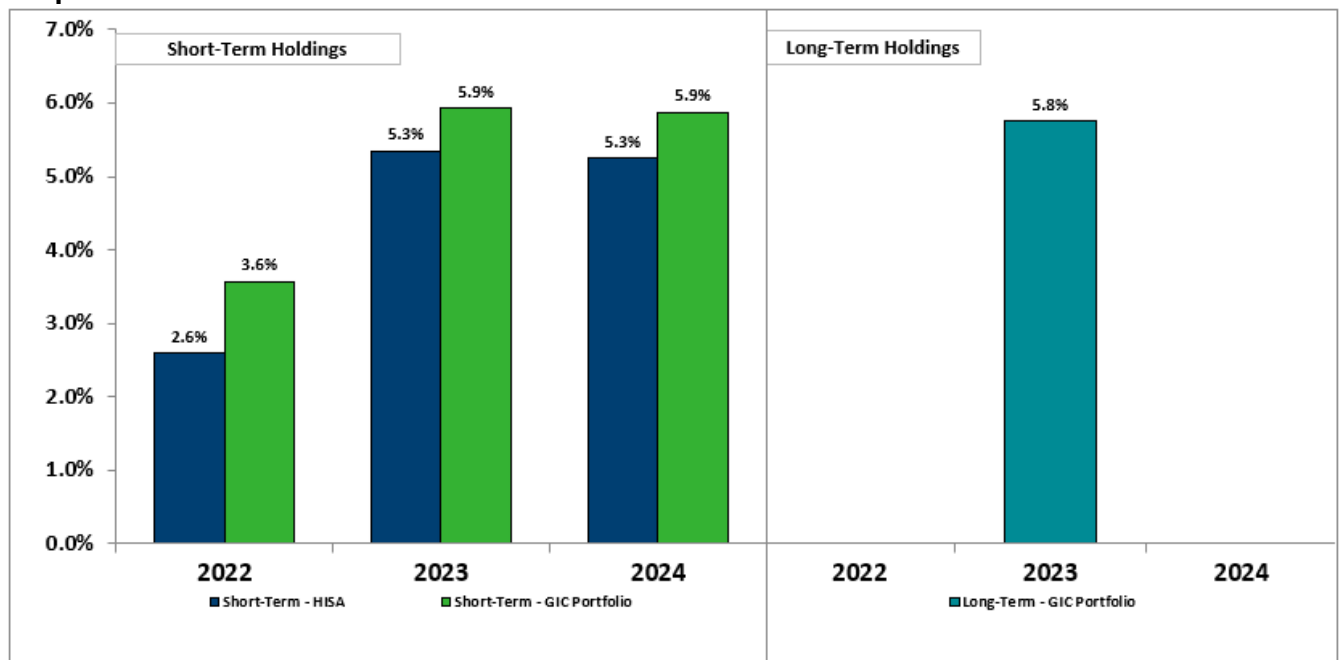
Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
High Interest Savings Accounts	8.8	31.1%
Guaranteed Investment Certificates	19.5	68.9%
Total Short-term:	28.3	100.0%
Total Investments:	\$28.3	100.0%

The portfolio was distributed between short-term and long-term investments in a 100%/0% split. As per Investment Policy, investments with maturities or approaching maturities less than two years are classified as short-term and investments with maturity and divestiture dates beyond two years are classified as long term.

Performance

Graph 1 (page 2) provides a detailed report on investment returns in 2024.

Graph 1: CRHD Investment Results



Short-Term Investments

For short-term holdings (terms less than two years), the short-term Guaranteed Investment Certificate (GIC) portfolio yielded a 5.9% return, outperforming the 3.7% benchmark. The HISA accounts exceed their benchmark of 4.7% with a 5.3% return. The combined short-term portfolio (HISAs plus GICs under 2-years in remaining term) returned 5.6% versus a benchmark of 4.3%.

Long-Term Investments

In 2024, no long-term investments (holdings with terms exceeding two years) were held, as the portfolio was comprised exclusively of short-term instruments.

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 05, 2025**

SUBJECT **Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual Update**

ISSUE SUMMARY

To provide an annual update on the Capital Region Housing Corporation (CRHC) investments held and performance for the period ended December 31, 2024.

BACKGROUND

The Capital Regional District (CRD) invests operating, capital and reserve funds in accordance with the *Local Government Act*, *Community Charter* and Board approved Investment Policy (Appendix A). The Investment Policy applies to the investment activities for all funds maintained by the CRD, the CRHC and the Capital Regional Hospital District (CRHD). The types and terms of investments purchased are evaluated on four fundamental objectives: safety of principal, liquidity, responsible investing and return on investment in alignment with the policy.

The policy also provides the minimum ratings of investment vehicles that can be purchased. Currently investments in chartered banks or savings institutions must have a risk rating of R-1 (low) or higher for short-term and a rating of A- for long-term as published by major credit rating agencies. Both ratings achieve a superior credit rating on all investments.

Investments are continuously monitored to ensure the appropriate strategy through current and forecasted economic conditions. The CRHC invests net working capital and replacement reserves in a mix of products including High-Interest Savings Accounts (HISA), fixed term Guaranteed Investment Certificates (GICs) and Municipal Finance Authority (MFA) pooled funds. The placement or divestiture of investments are timed with forecasted cash requirements.

Investments through 2024 have been made in alignment with the Board approved Investment Policy. Although economic and market conditions drove fluctuations and uncertainty in the portfolio, performance exceeded the benchmark rate, as detailed in the report.

IMPLICATIONS

Financial Implications

Portfolio Holdings

As of December 31, 2024, the CRHC investment portfolio totaled \$17.6 million, as outlined in Table 1. This decrease in long-term holdings was a result of the decision to prioritize liquidity, driven by the requirements of the capital plan.

Table 1: CRHC Investment Holdings – as of December 31, 2024

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)	8.1	46.1%
Investments Long-Term (more than 2 years)	9.5	53.9%
Total Investments:	\$17.6	100.0%

As shown in Table 1, the CRHC investment portfolio as of December 31, 2024, was allocated 46.1% to short-term investments and 53.9% to long-term investments. Investments with maturities greater than two years are classified as long-term.

Performance

The total effective return on investments during 2024 was \$0.7 Million or 5.2%, driven by higher interest rates in 2024 impacting returns on the MFA Bond Fund and GICs.

Table 2 below shows the three-year trend on investment income.

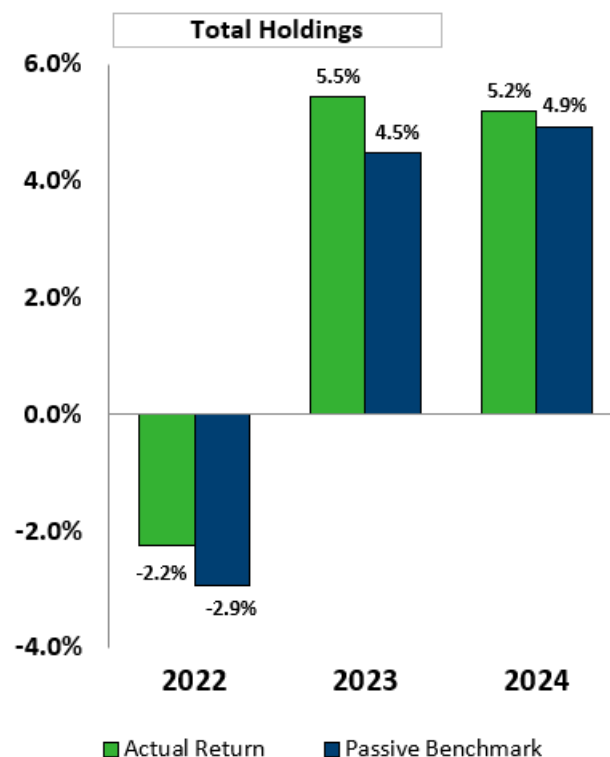
Table 2: CRHC Investment Income Three-Year Trend (\$ Millions)

	2022		2023		2024	
Passive Benchmark	-2.9%	-\$0.3	4.5%	\$0.6	4.9%	\$0.6
Active Management	0.7%	\$0.1	1.0%	\$0.1	0.3%	\$0.1
Total	-2.2%	-\$0.2	5.5%	\$0.7	5.2%	\$0.7

The passive benchmark approach, which reflects investment returns without active management, underwent a methodology update effective 2024. Previously, the passive income benchmark was calculated using an average of bank deposit rates through the year, weighted by cash flow timing. The new approach calculates the benchmark using weighted average holdings across investment categories (GICs, HISAs and MFA pooled funds). This adjustment ensures a more accurate representation of portfolio holdings, accounting for differences in passive investment returns based on their respective category. Table 2 above reflects this updated approach.

Graph 1 provides a summary report on investment returns in 2024.

Graph 1: CRHC Investment Results - 2024:



In 2024, the Bank of Canada lowered the overnight interest rate five times from elevated historic levels. Additional information can be found in Appendix B.

In 2024, monthly expenditures for operating, capital and financing activities averaged \$6 million. Notable capital projects during this period included the Michigan, Caledonia and Carey Lane construction projects.

Strong cash flow forecasting and an active investment management strategy led to the rebalancing of the portfolio throughout the year to manage performance. Further details regarding investment holdings and performance can be found in Appendix C.

CONCLUSION

Overall, the CRHC portfolio of investments reflects the three fundamental objectives of safety of principal, liquidity and return on investment. Investments have been made in keeping with requirements under the Investment Policy Statement and investment performance exceeded expectations for the year ended December 31, 2024.

RECOMMENDATION

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

Submitted by:	Andrew Hoge, CFA, CPA, CGA, Mgr., Corporate Finance & Treasury
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Investment Policy
Appendix B: Market Analysis
Appendix C: Investment Holdings and Performance



CAPITAL REGIONAL DISTRICT

Making a difference...together

INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Approved)		
Amendment #3	March 9, 2022 (Approved)		
Policy Owner	Financial Services		

1. PURPOSE

This investment policy provides the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC).

It is the policy of the CRD, CRHD and CRHC to invest funds in a manner that provides the optimal blend of investment security and return while meeting the short and long term cash flow requirements in support of the corporate plan priorities while maintaining compliance with statutory requirements.

2. SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds. It does not apply to funds held in trust or which have a specific legal or statutory requirement for cash management, disbursement, or investment.

3. PRINCIPLES

The investment of funds must reflect a management philosophy based on the fundamental objectives of

3.1 Safety of Principal

Investments shall be made to ensure preservation of principal within the portfolio. Preservation of principal is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on financial products.

3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

3.3 Responsible Investing

The investment program will consider socially responsible investment products that adhere to statutory requirements and meet the objectives laid out in this policy.

Organizations that adopt a socially responsible investment platform in alignment with the published MFA ESG framework are preferred

3.4 Return on Investment

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints, liquidity requirements and responsible investing objectives.

4. INVESTMENT PARAMETERS

4.1 Safety of Principal

The program will diversify cash reserve investments by security type and institution, taking into consideration the impact on return on investment. Section 5.4 outlines the authorized and suitable investments permissible to ensure optimal portfolio diversification.

4.2 Liquidity

To the extent possible, portfolio management will align investments with anticipated cash flow requirements. However, a portion of the portfolio shall be continuously invested in fully-liquid investments to meet ongoing obligations.

A long-term financial plan will be established for major capital reserves. The long-term financial plan will inform the term decision when placing timed investments in order to meet liquidity requirements.

4.3 Responsible Investing

Where responsible investment options provide comparable risk, return and liquidity, these facilities will be a priority. Investments are considered in alignment with responsible investing objectives when identified as meeting criteria as defined by MFA within the published MFA ESG Framework.

4.4 Return on Investment

The investment program will seek to maximize the total return on all funds under management after considering protection of principal, liquidity and responsible investing. Return will be monitored through performance benchmarks to ensure program activities are providing benefits in excess of costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.

4.5 Authorized and Suitable Investments

Money held may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

1. Investments in marketable securities of a chartered bank or savings institution or any province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of another rating organization, indicating equal or superior credit quality (see Appendix A of this policy).

2. Investment placements will conform to the portfolio diversification constraints listed in Appendix B. Exceptions to constraints listed in Appendix A require Chief Financial Officer approval and shall be reported to the Board through Standing Committee at the next available meeting.
3. Internal projects under CRD service authority are considered allowable investment options when capital reserves are not immediately required and can be accessed through inter-service borrowing. Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.

5. STANDARD OF CARE

5.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

5.2 Ethics and Conflict of Interest

Staff responsible for investing activities shall comply with the CRD Conflict of Interest Policy and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

5.3 Delegation of Authority

Authority to manage the investment program ("the Program") is granted to the Chief Financial Officer and is derived from section 237 of the *Local Government Act*.

5.4 Credit Risk Monitoring

To meet the objectives of this policy and ensure suitability of offerings, credit risk monitoring must be conducted by CRD Staff independent of vendor representations. The following due-diligence shall be performed:

1. In-house credit analysis shall be conducted on all financial institutions and investment counter-parties.
2. Credit reports and analysis, published by DBRS, S&P, Fitch or Moody's, will be obtained from financial institutions, investment dealers and rating institutions and reviewed.
3. Credit reports and analysis are recognized as opinions and not a guarantee for safety of principal.
4. When placing investments in individual marketable securities and more than one credit rating is available, the average of two or more available credit ratings shall be used.

5.5 Consolidated Basis

All funds covered by this policy will be managed on a consolidated basis to ensure the best possible return by providing economies of scale.

5.6 Program Requirements

The Program shall abide by the following reporting requirements:

1. The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from this policy; and
2. An appropriate portfolio performance benchmark will be set and reported in the annual investment performance report.

6. POLICY REVIEW

Review Date	Description:
March 2026, unless legislative change or new MFA finance product	To ensure ongoing relevance, this policy shall be reviewed the earlier of: <ol style="list-style-type: none">1. If a change in the relevant legislation governing the investment activities of local governments occurs;2. If the Municipal Finance Authority of British Columbia establishes a new pooled fund investment product; or3. Every five calendar years.

7. RELATED POLICY, PROCEDURE AND GUIDELINES

- Conflict of Interest Policy

Appendix A
Dominion Bond Rating Service (DBRS) Credit Quality Ratings

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	Bond & Long-term Debt	Description	CRD/CRHD/CRHC Investment Policy
R-1 (high)	AAA	Investment Grade ↑	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)			
R-1 (low)	A			
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)			
R-4	BB			
R-4	BB (low)			
R-4	B (high)			
R-5	B			
R-5	B (low)			
R-5	CCC			
R-5	CCC			
R-5	CCC			
R-5	CC			
R-5	C			
D	D		Default	

Appendix B

Portfolio Diversification Constraints

Exposure constraints target protection of principal and return and set a maximum allowable share of the total portfolio that can be invested.

Due to market fluctuations and / or the timing of investment deposit transfers, maximum percentages in Appendix C may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

The portfolio diversification constraints are found in Table 1 below:

Table 1: **Portfolio Diversification Constraints**

Investment Type	MAXIMUM of Total Reserves	MAXIMUM by Institution/product/ pooled fund
<u>Short-Term (< 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	50%	50%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
<u>Long-Term (> 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	60%	30%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
Internal Projects (5+ years)	30%	-
Federal Bonds	20%	10%
Municipal Finance Authority of BC Bonds	20%	20%
Provincial Bonds	15%	15%
Municipal, Regional District or Greater Board Bonds	15%	15%

Market Analysis

Applies to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

The 2024 economic landscape in Canada saw a shift towards lower interest rates after an extended period of monetary tightening. Interest rates, which began the year at elevated levels, started to decline after April 2024 as inflationary pressures eased.

The Bank of Canada cut its overnight policy rate five times throughout the year, bringing it down from 5.0% in January to 3.25% by December. These rate cuts were in response to significant declines in inflation, which approached the Bank's 2% target by year-end. With inflation nearing the Bank of Canada's target, future rate cuts will be considered on a case-by-case basis.

Table 1 below presents key economic indicator rates as of December 31, 2022-2024.

Table 1: Indicative Market Rates 2022 to 2024

Rate	2022	2023	2024
Bank of Canada - Overnight Rate	0.25% - 4.25%	4.25% - 5.00%	3.25% - 5.00%
HISA	0.72% - 4.80%	4.80% - 5.75%	3.75% - 5.50%
RBC - Bank Rate	0.70% - 4.70%	4.70% - 5.55%	3.80% - 5.55%
Fixed GIC - 180 Day / 1 Year (sample)	2.22% - 3.06%	5.30% - 5.60%	5.40% - 5.50%

Investment Marketplace

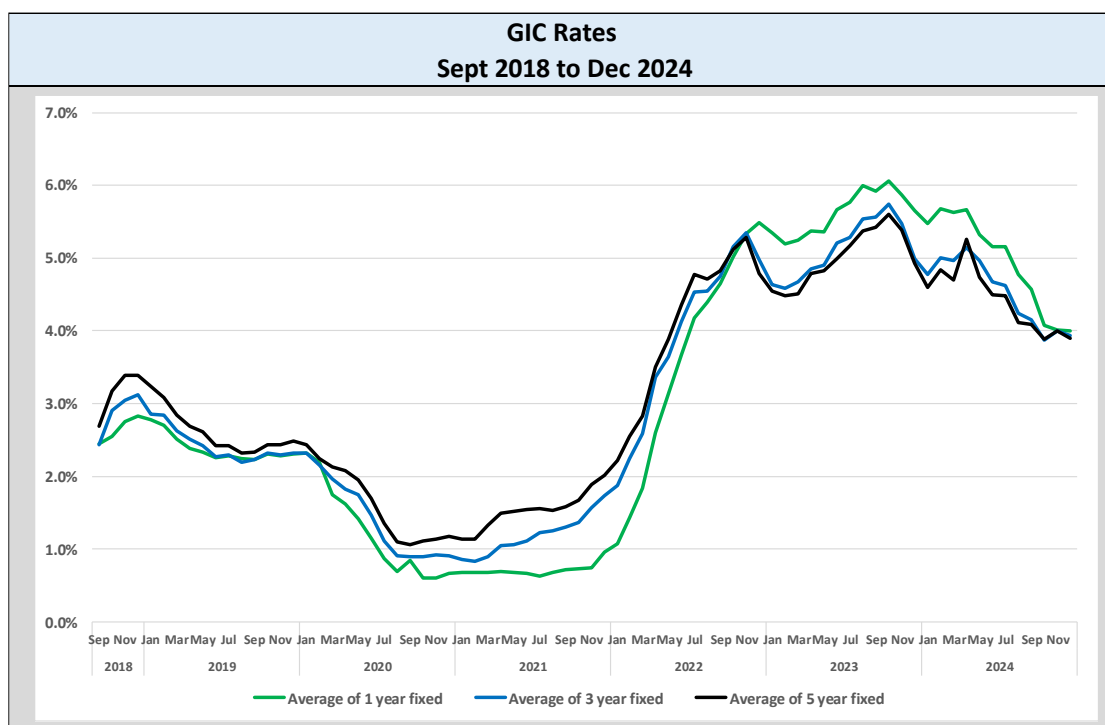
Fixed GIC rates followed a similar trajectory to the Bank of Canada overnight rate, reflecting the broader decline in interest rates across one to five-year GIC terms. These changes led to lower borrowing costs and reduced returns on deposit products.

Despite falling yields, fixed MFA pooled fund income returns remained positive in 2024, bolstered by capital gains from declining interest rates in the latter half of the year. Equity markets in Canada, the US, and globally delivered exceptional returns, rebounding strongly from weaker performance in prior years. These trends contributed to overall positive returns for MFA pooled funds, including the Diversified Multi-Asset Class (DMAC) fund, which benefited from both bond income and equity growth.

In 2024, High Interest Savings Account (HISA) rates decreased but remained competitive compared to Guaranteed Investment Certificate (GIC) rates across most terms. Consequently, by year-end allocations to HISAs were enhanced to optimize interest earnings.

As shown in Graph 1, GIC rates were at their highest late in 2023, and have been moving lower ever since.

Graph 1: GIC Historical Rates



The CRD continues to hold units in the MFA Bond Fund, MFA Fossil Fuel-Free (FFF) Bond Fund, the MFA DMAC Fund and the MFA Mortgage Fund. The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund.

For the calendar 2024 year, the FFF Bond Fund underperformed the MFA Bond Fund on an annual basis by 0.14% (5.53% versus 5.39% respectively). The FFF Fund's underweight position in the positively performing energy sector and overweight positions in Real Estate and Financial sectors, which experienced comparative spread widening, negatively impacted its returns over the year. The MFA Mortgage Fund returned 6.13% while the MFA DMAC returned 17.4% for 2024.

Staff will assess investment placements in existing and new MFA pooled funds in the future, for the CRD, the CRHD, and the CRHC, as the need to place long-term funds arises.

Investment Holdings and Performance

Portfolio Holdings

On December 31, 2024, the Capital Region Housing Corporation (CRHC) held \$17.6 million in long-term investments, as detailed in Table 1 below.

Table 1: CRHC Investment Holdings – December 31, 2024

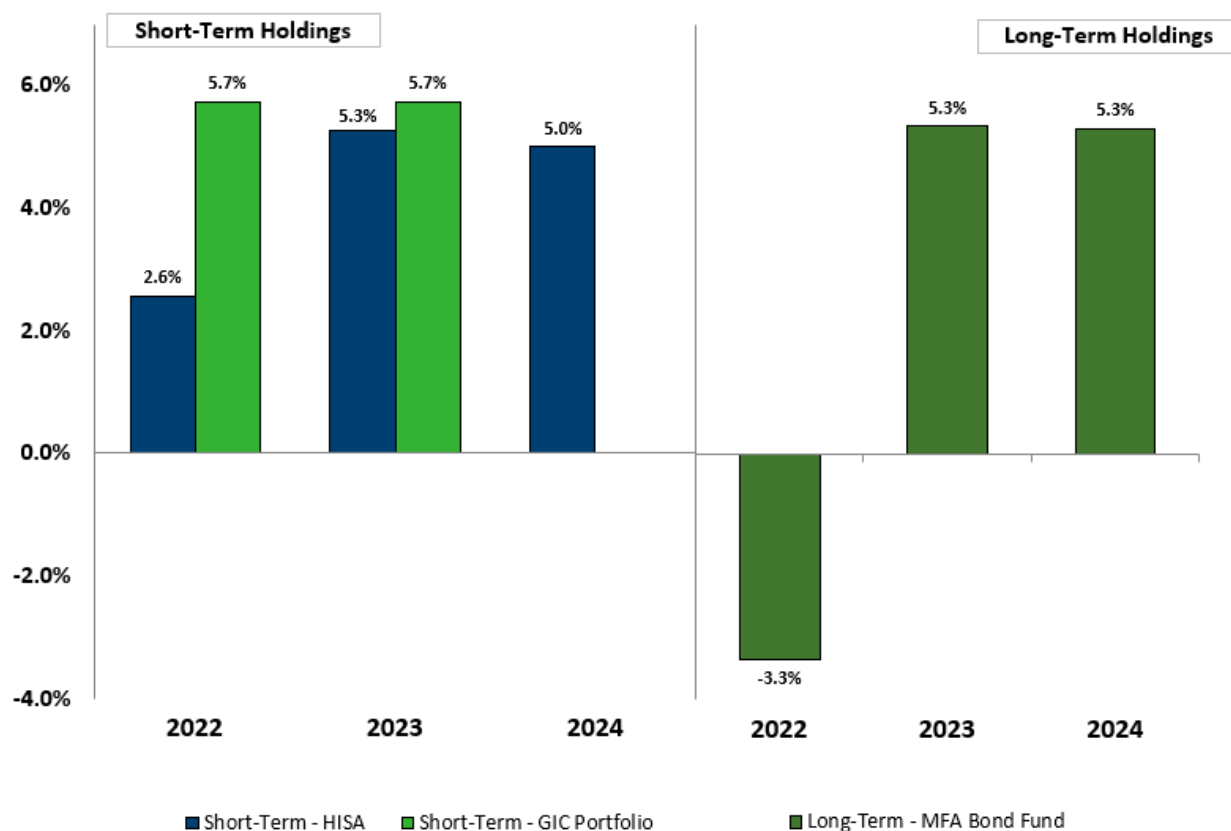
Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
High Interest Savings Account	8.1	46.1%
Total Short-term:	8.1	46.1%
Investments Long-Term (more than 2 years)		
MFA Bond Fund	9.5	53.9%
Total Long-term:	9.5	53.9%
Total Investments:	\$17.6	100.0%

The portfolio was distributed between short-term and long-term investments in a 46%/54% split. As per Investment Policy, investments with maturities or approaching maturities less than two years are classified as short-term and investments with maturity and divestiture dates beyond two years are classified as long term.

Performance

Graph 1 (page 2) provides a detailed report on investment returns in 2024.

Graph 1: CRHC Investment Results



Short-Term Investments

For short-term holdings (terms less than two years), the High Interest Saving Accounts (HISA) exceeded their benchmark of 4.2% with a 5.0% return.

Long-Term Investments

In 2024, the MFA Bond Fund return of 5.3% matched the benchmark return, benefiting from the inverse relationship between interest rates and long-term bond yields. As interest rates decreased rapidly from their peak in the last quarter of the year, the bond fund holdings generated capital gains. Furthermore, despite the decline from peak, interest rates remained relatively high contributing to increased annual bond coupon income compared to previous years.

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 05, 2025**

SUBJECT **3690 Richmond Road - Road Dedication to District of Saanich**

ISSUE SUMMARY

The Capital Regional Hospital District (CRHD) intends to dedicate an 8.8 square metre (m²) portion of the 3690 Richmond Road property as District of Saanich municipal road for the purpose of municipal infrastructure and road safety improvements.

BACKGROUND

The CRHD acquired the 3690 Richmond Road property on December 6, 2024, and since then has entered into a 20-year lease with BC Housing. The District of Saanich requires obtaining an 8.8 m² portion of 3690 Richmond Road for infrastructure and road safety improvements on Shelbourne Street and Richmond Road. This includes utility rights-of-way or road rights-of-way, and replacement of existing utility service connection[s] up to the property line; installation of a new storm drain service connection; new concrete curb along the road edge; new driveway letdown; new grass boulevard with periodic street trees; new asphalt bike lane and associated curbs; new concrete sidewalk; cutting and removal of hedges/shrubs/plantings or other objects or landscape features. The CRHD will convey the Dedication Area (see Appendix A) as road to the District of Saanich and grant the District of Saanich the right to carry out the works on the property.

ALTERNATIVES

Alternative 1

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

That the Capital Regional Hospital District dedicate an 8.8 square metre portion of the 3690 Richmond Road property as District of Saanich municipal road for infrastructure and road safety improvements.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

The District of Saanich had an appraisal done to determine compensation value and through negotiations with CRHD agreed to pay \$156 a ft² as compensation. CRHD will receive \$15,912.00 for the dedication area, along with \$1,022.16 in compensation for items to be replaced or restored and \$500 for disposition notice costs for a total of \$17,434.16. Funds will be transferred to the Debt Management Reserve to help mitigate future debt costs associated with financing the CRHD 10-Year Capital Plan.

Legal implications

The new property boundary will be registered with Land Title. The tenant, BC Housing has also been notified of the transaction.

Occasionally, governments need privately owned land to build or make necessary changes to infrastructure. This is known as acquiring land for a public benefit or purpose. The goal is to work with owners to reach an agreement that is fair for everyone. If no agreement is reached, the District of Saanich can use “expropriation” as a last resort.

CONCLUSION

Staff recommends dedicating the 8.8 square metre portion of 3690 Richmond Road property as District of Saanich municipal road for infrastructure and road safety improvements.

RECOMMENDATION

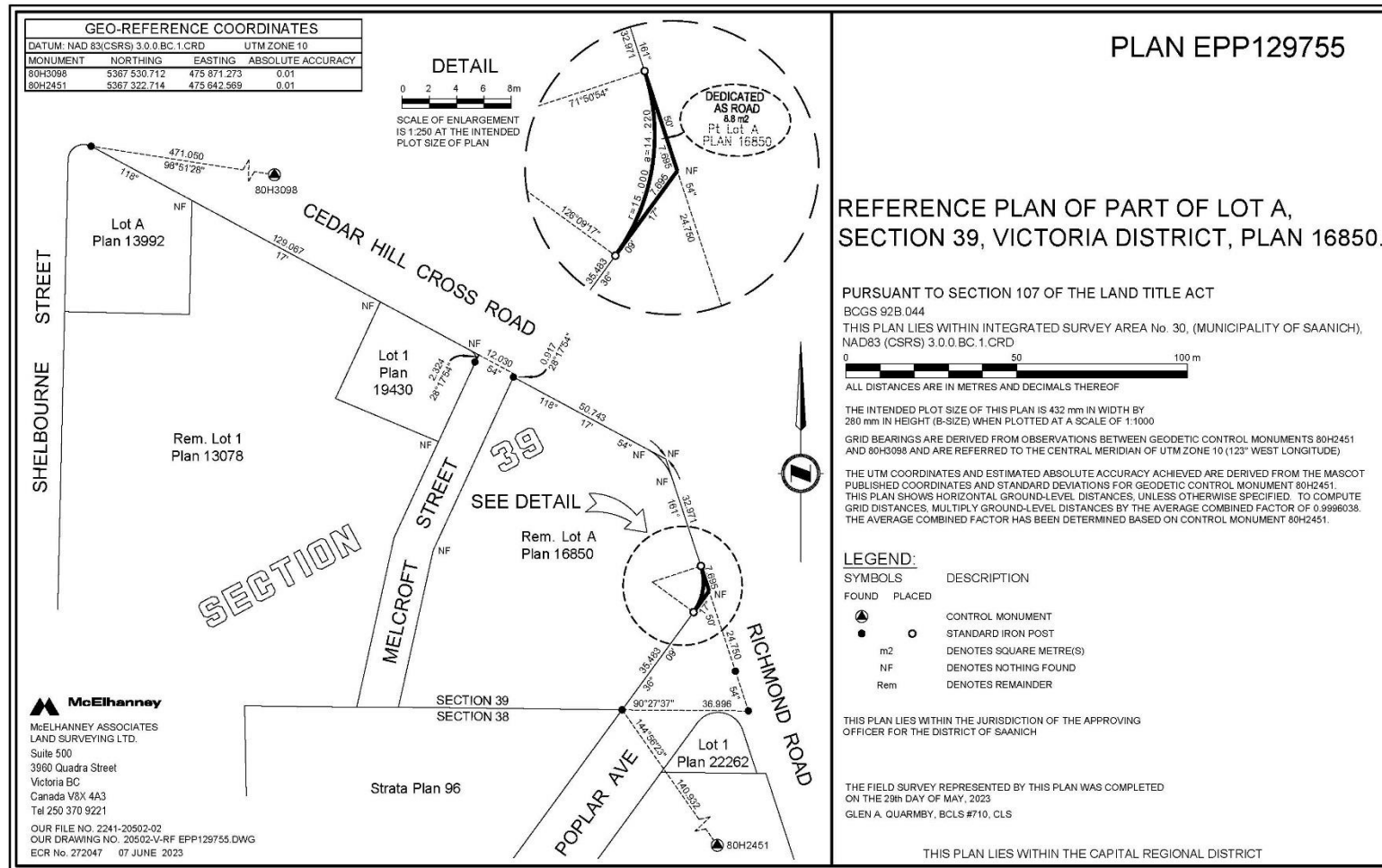
The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District dedicate an 8.8 square metre portion of the 3690 Richmond Road property as District of Saanich municipal road for infrastructure and road safety improvements.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health and Capital Planning Strategies
Concurrence:	Patrick Klassen, MCIP, RPP, Acting General Manager, Housing, Planning and Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENT

Appendix A: Reference Plan



Plan EPP129755

Schedule "A"

REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MARCH 5, 2025

SUBJECT Rural Housing Program Pilot Project Update

ISSUE SUMMARY

This report provides information on the Rural Housing Program (RHP) pilot project, scheduled to launch on the Southern Gulf Islands (SGI) and Salt Spring Island (SSI) Electoral Areas (EAs) in April 2025. The pilot project aims to test the efficacy of advancing affordable housing solutions that are tailored to a rural context in areas outside of the Urban Containment Boundary (UCB) as detailed in CRD Bylaw No. 4017, the “*Capital Regional District Regional Growth Strategy Bylaw No. 1, 2016.*”

BACKGROUND

In February 2018, the Capital Regional District (CRD) published an SGI Housing Needs Assessment, which identified that “all evidence points to serious shortages in secure, appropriate and affordable housing for low to moderate income earners” with renter households particularly impacted. This work was updated in February 2022 through the SGI Updated Housing Market Analysis Report, which found that between 2018 and 2021, “housing inventory and market conditions have made purchasing or renting housing less accessible for residents and workers on the SGI.”

In May 2022, the CRD Board endorsed the SGI Housing Strategy, which advanced seven objectives, and 22 actions tailored to the needs and opportunities within the SGI, but also included a primary objective of investigating the creation of a RHP. In July 2022, the CRD Board endorsed the Future Housing Priorities and Partnerships in the capital region and directed staff to proceed with the development of a program framework based on the priorities identified in the document, which included the development of a rural housing strategy.

In February 2024, the CRD Board received a Future Housing Priorities and Partnerships Framework that included a Rural Housing Pilot Project Analysis (Appendix A), which identified that there have been insufficient incentives to encourage developers and landowners to fill market gaps, that secondary suites have the largest potential to scale up in unit numbers, and that secondary suites would likely be the most cost-effective approach to support new supply. This work also noted that the potential reach of a RHP is substantial but will be highly dependent on the availability of funding as well as general economic conditions.

Appendix B contains an updated financial analysis and feasibility modelling while also considering the provincial government’s Secondary Suite Incentive Program and is an update to the February 2024 Rural Housing Pilot Analysis.

In October 2024, the CRD Board provided provisional approval to the 2025 Financial Plan that included sufficient capacity for the CRD to borrow up to \$1 million (M) over two years to support the RHP pilot project. This borrowing will again be considered by the CRD Board through the 2025 Financial Plan in March 2025.

IMPLICATIONS

Engagement Implications

Through 2024 and into 2025, CRD staff focused on undertaking a range of community engagement initiatives, working to expand potential partnerships, refine the program's scope, and establish the necessary administrative framework to support successful pilot program implementation. The engagement process included a Get Engaged webpage with Frequently Asked Questions (FAQs), information about the RHP, and an online survey aimed at property owners to test demand and seek feedback on the criteria for the Accessory Dwelling Unit (ADU) Incentive Program. A social media campaign drove interest in the page and survey and ensured the island communities were well informed about the goals of the RHP as a pilot project.

Engagement efforts also included roundtable meetings with the non-profit housing sector in each of the EAs and several stakeholder meetings to understand the overall sectoral and specific needs of each housing project. There was also a series of presentations at public meetings of the different Islands Trust Local Trust Committees and Islands Trust Council, as well as two workshops with the Local Community Commission on Salt Spring Island and regular discussions with the Southern Gulf Islands Economic Sustainability Commission. The summary of this engagement effort and the findings is attached as Appendix C.

Service Delivery Implications

The RHP pilot project contains three distinct components, including:

RHP Stream 1: Accessory Dwelling Unit (ADU) Incentive Program

- This program provides a capital grant to eligible homeowners with up to 50% of the cost of renovations to build an ADU, up to a maximum of \$40 thousand (K), in exchange for a commitment to non-market rents for a period of five years.
- The public benefit of this program is the creation of new ADUs as non-market units, with initial rents aligned with the Provincial Rental Income Limits, making them feasible given today's building costs.
- This stream is designed to be complementary to the Secondary Suite Incentive Program, which is administered through BC Housing so that an applicant could apply to both funding sources to help offset capital costs.
- Compliance with the program requirements will be secured by a covenant or housing agreement registered on the property title. This incumbrance would run with the land in the case of the property being sold.
- The CRD Pilot Project Accessory Dwelling Unit Incentive Program Application Guide is attached as Appendix D.

RHP Stream 2: Pre-Development Funding (PDF) for Multi-Unit Affordable Housing

- Provides funding for pre-development costs for purpose-built, affordable housing projects that may include consultant costs, site preparation, and on-site infrastructure development.
- CRD staff conducted engagement in 2024 with the non-profit housing sector to better understand the unique, and often community/project-specific, needs.
- The application package includes a financial feasibility tool and guide for applying for pre-development funding.

- The financial feasibility tool will demonstrate project viability also serve as an educational resource and “readiness tool” for non-profits and other advocates exploring affordable housing projects.
- CRD staff anticipate greater demand than available funding, so projects that demonstrate feasibility and a high likelihood of success will be prioritized.
- The Canada Mortgage and Housing Corporation (CMHC) provides a Seed Funding Program that provides financial support for individuals and organizations involved in the initial phases of creating an affordable housing project. However, the website has not been updated for 2025 and identifies that the 2024 budget has been fully allocated.
- BC Housing provides Project Development Funds, which are available to help partners develop comprehensive proposals, but applications to this stream are currently closed.

RHP Stream 3: On-going Coordination and Engagement for Rural Housing Solutions

- A key component of the RHP pilot project is the establishment of a dedicated program coordinator within the CRD to support rural housing for the duration of the two-year pilot project duration.
- Once hired, a program coordinator will help administer pilot project funding and offer a level of support for non-profit housing proponents.
- Success of the RHP will need inter-divisional coordination at CRD, coordination with external agencies such as Islands Trust, community stakeholders, funders such as the Southern Gulf Islands Tourism Partnership, as well as with other levels of government for additional funding or advocacy via the CRD Board.
- It should also be noted that should the pilot project be discontinued at the end of 2026, the CRD will still be required to administer any ADUs that have been funded as well as any PDF funds that have been disbursed.

Financial Implications

The 2025-2029 Land Banking and Housing 5-Year Capital Plan includes \$500K/year for both 2025 and 2026 for the RHP Pilot Program, which is expected to receive final approval in March 2025. The total \$1M capital funding will be borrowed from the Municipal Finance Authority (MFA) with repayment by requisition through service 1.310 Land Banking and Housing.

The requisition impact of the \$1M total borrowing is budgeted at \$96.5K per year for 15 years, which represents approximately 3% of the overall 1.310 service requisition and 50 cents per average household.

Additional funding has been secured through an agreement with the Southern Gulf Islands Tourism Partnership for approximately \$100K of Municipal and Regional District Tax funding per year, for the next five years, and potentially on an ongoing basis (subject to fluctuations in revenues under that program). For 2025-2026, this funding is for a 2-year FTE term position dedicated to the Rural Housing Program to support the pilot's implementation.

Alignment with Board & Corporate Priorities

By seeking to expand housing options in rural areas, the RHP aligns directly with the *CRD 2023-2026 Board Priorities*. Specifically, it supports the priority to "increase the supply of affordable, inclusive, and adequate housing in the region." This initiative addresses the critical need for affordable homes across the region, particularly in rural areas and small communities, and tailors housing solutions for affordability measures beyond the CRD's Urban Containment Boundary.

CONCLUSION

The RHP Pilot Project in the SGI and SSI EAs aims to prototype housing solutions that are better suited to rural contexts while strengthening the CRD's ability to respond to the housing crisis across the capital region, with a particular focus in areas outside of the UCB. Through its two funding streams – the ADU Incentive Program and PDF for Multi-Unit Affordable Housing – the RHP aims to create affordable housing solutions that support long-term, sustainable housing development throughout the region. In addition, dedicated staffing on a two-year term will help to administer pilot project funding and offer a level of support for non-profit housing proponents looking at accessing support through this pilot project.

Funds totalling \$1M over two years (2025 and 2026) are included in the CRD's 2025 provisional Financial Plan and will be considered by the CRD Board again at the review of the 2025 Financial Plan in March. Assuming that all funds are borrowed and disbursed, this pilot is expected to increase annual requisition by \$96.5K over the 15 years of borrowing.

RECOMMENDATION

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

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Patrick Klassen, MCIP, RPP, Acting General Manager, Housing, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: Future Housing Priorities and Partnerships Framework, CRD Board Staff Report and Appendices, February 14, 2024

Appendix B: Urban Matters Financial Feasibility Update Report (November 2024)

Appendix C: CRD Rural Housing Program What We Heard Report 2024

Appendix D: CRD Pilot Project Accessory Dwelling Unit Incentive Program Application Guide



REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, FEBRUARY 07, 2024

SUBJECT Future Housing Priorities and Partnerships Framework

ISSUE SUMMARY

To seek direction from the Capital Regional District (CRD) Board to begin advancing an Acquisition Strategy (Appendix B) and the Rural Housing Program (Appendix C), through the development of a pilot initiative (Appendix D). These efforts aim to address unmet need related to housing affordability through innovation, partnership, and cross-sectoral collaboration.

BACKGROUND

The Regional Housing First Program (RHFP) is a \$120 million (M) housing supply partnership between the CRD, BC Housing and Canada Mortgage and Housing Corporation (CMHC). As of January 2024, the RHFP has supported the completion of approximately 958 new affordable rental units across the capital region with an additional 97 by mid-2024. At full build out, the RHFP is expected to deliver up to almost 1,500 total units of affordable rental housing by 2028.

The CRD 2019-2022 Corporate Plan identified an initiative to determine continuation of a housing supply program beyond RHFP Implementation. Beginning with the CRD Board endorsement of the Southern Gulf Island (SGI) Housing Strategy in May 2022, staff then included consideration of a Rural Housing Program (RHP) as one component of the Future Housing Priorities and Partnerships (FHPP) white paper (Appendix A). The CRD Board endorsed the FHPP in July 2022, which also includes a focus on an Acquisition Strategy and Complex Care.

To advance efforts under FHPP staff were directed to look at options to fund the establishment, and seed investment for a scaled-up regional housing program. Though there is existing requisition capacity under Bylaw No. 3712 Land Assembly, Housing and Land Banking Service Establishment Bylaw, much of the current capacity is allocated toward approved capital projects under the RHFP. Therefore, the CRD Board directed staff to advance an amendment to Bylaw No. 3712 and advance a new loan authorization bylaw to permit the borrowing of up to \$85M.

The FHPP and the parallel work to advance efforts to increase borrowing capacity under Bylaw No. 3712 have been developed to position the CRD with a clarity of focus and sufficient requisition authority and debt capacity to support scaled-up regional efforts while seeking to incentivize partnership with senior levels of government.

ALTERNATIVES

Alternative 1

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

1. That staff begin advancing efforts under the Regional Housing: Acquisition Strategy; and
2. That the CRD negotiate and execute a Memorandum of Understanding with the Southern Gulf Islands Tourism Partnership to receive \$100,000 for staff coordination of the Rural Housing Program pilot scoping.

Alternative 2

That this report be referred to staff for additional information based on Hospitals and Housing Committee direction.

IMPLICATIONS

Social Implications

The capital region, like many communities across Canada, continues to experience challenges related to escalating cost of housing, affordability, and homelessness. Demand is particularly strong in the rental system and especially for affordable rental units. The FHPP seeks to position the capital region as a committed partner through looking at:

- An Acquisition Strategy, which aims to increase and/or preserve the supply of affordable rental housing within the urban areas of the region. The Acquisition Strategy will help to guide investment decisions using set criteria intended to help inform the CRD Board on prospective acquisition and investment. The range of model inputs are shown on page 5 of Appendix B.
- A RHP, which aims to increase, preserve, and broaden the supply of affordable housing in rural and remote communities. The approach recognizes the need to approach housing solutions in rural and remote communities with different expectations than those used for conventional housing projects in more densely populated urban regions. At this time, staff are only recommending a pilot on SGI and Salt Spring Island (SSI) to develop the program and test the efficacy of some initiatives, which, subject to CRD Board approval, could be implemented across to the region starting in 2025/2026.
- A Complex Care Housing initiative, which aims to increase the supply of housing with supports for people with complex needs and support complementary to the provincial Complex-Care Housing service. In Greater Victoria, Complex-Care Housing is delivered by Island Health in partnership with BC Housing and non-profit service providers. Due to the critical roles of Island Health, BC Housing, and non-profit organizations in the delivery of Complex Care, CRD staff worked through 2023 to engage, consult and explore opportunities for collaboration and partnership. Island Health and BC Housing continue to look at needs across the health authority, including on Southern Vancouver Island, and CRD staff remain actively engaged and are committed to supporting this ongoing effort. Additional updates will be provided to the CRD Board later in 2024 as the work continues along side Island Health and BC Housing.

Operational Implications

The Housing Planning, Policy, and Programs function operates within Regional Housing and receives grants from federal and provincial partner agencies, provides oversight, and deploys funds within the region, administers housing affordability agreements with developers and owners in the region on behalf of municipalities, and undertakes research and develops policy and programs focused on increasing housing supply across the region.

Staff capacity to advance work under this function was supported through the development of IBC 5a-2.1 Housing Opportunity Innovation and Outcomes Analysis. It is anticipated that there will be approximately 0.75 FTE available to support the advancement of the Acquisition Strategy, including 0.25 FTE management, and 0.5 FTE support staff.

The RHP pilot will be soft launched in 2024 using existing staff resources as well as 1 FTE of new capacity as a two-year term position. The new term position will be supported, in part, through Municipal and Regional District Tax (MRDT) Program funding. Staff will begin implementation of program design and will work to leverage additional external grant funding where possible.

Service Delivery Implications

To exercise constraint and cost containment, the CRD Board directed staff to keep the core inflationary adjustment to 3.5% through the 2024 Service and Financial Planning Guidelines, which has been considered through determining the appropriate balance of requisition impact and securing sufficient capacity to begin advancing the Acquisition Strategy and RHP.

Initiating the Acquisition Strategy in full would require a significant lift in resources being available in the 2024 CRD Financial Plan. Property identification, undertaking appropriate due diligence and advancing acquisitions, subject to CRD Board approval, draws on internal capacity through the Real Estate, Regional Housing and Corporate Finance functions while also relying on the engagement of consultant services on items such as land surveys, environmental and geotechnical analysis, building condition assessments, archaeological reports, appraisals, feasibility analysis and massing modelling, etc.

Staff anticipate that current capacity, including that contained within the 2024 CRD Financial Plan, will be sufficient to support property identification and a high-level assessment of acquisition potential. Staff will then return to the CRD Board to request additional resources to undertake due diligence and funds to place a deposit on a project-by-project basis and through a budget amendment. Final decisions will also come back to the CRD Board, which may require an additional budget amendment.

The RHP pilot scoping work (Appendix D) is to allocate available capacity in support of building the program parameters to consider providing pre-development funding while also starting work on the development of a Missing Middle/Accessory Dwelling Unit Incentive Program. These efforts can be supported through available capacity and resources provided by the MRDT funding.

Intergovernmental Implications

The development of the Acquisition Strategy (applied primarily within the Urban Containment Boundary) and the RHP (applied primarily outside of the Urban Containment Boundary) is to acknowledge the diversity of housing need and development contexts across the capital region and provide suitable, flexible, and tailored tools to advance projects and programs better equipped to support local needs and opportunities and within a municipal/electoral area land use context.

The RHP envisions a whole government approach to support housing solutions outside of the Urban Containment Boundary and in the Electoral Areas where governance is inherently multi-jurisdictional. MRDT funding for 2024 will require a memorandum of understanding (MoU) between CRD and the SGI Tourism Partnership Society. The CRD has also worked to partner with the Islands Trust through an application to the CMHC Housing Accelerator Fund on Mayne Island. If successful, the funding will be awarded to Islands Trust and an MoU with CRD will be required to advance a sub-pilot project to accelerate 73 units of housing on Mayne Island.

In addition to the program, strategy development, and bylaw work undertaken by the CRD in support of advancing the Acquisition Strategy and RHP, the Government of BC has passed several pieces of legislation that alter the local government land use planning framework including increasing small-scale multi-unit housing, establishing proactive planning requirements, changes to development finance tools, and support for transit-oriented development areas.

Beyond the range of recent legislative changes introduced by the Government of BC, Budget 2023 also allocated a total of \$1.7 billion (B) over three years in operating and capital funding through Building BC and BC Housing programs as well as transit-oriented development. A recent example of this is the opening of a Community Housing Fund (CHF) call on August 28, 2023,

which closed on November 17, 2023. BC Builds was also announced on April 3, 2023, as a focused effort to speed up delivery of new homes and increase the supply of middle-income housing. Further details on BC Builds are expected into 2024. The CRD anticipates additional CHF calls in future years as well as calls to apply for funds through BC Builds, which present a range of ongoing partnership opportunities.

Through the 2023 Government of Canada Fall Economic Statement update, several additional resources were signalled including \$15B in new loan authority through the Apartment Construction Loan Program (ACLP), and \$1B for capital grants through the Affordable Housing Fund (AHF). It is expected that these new resources will be made available starting in 2025. It should also be noted that as recently as December 29, 2023, the Honourable Sean Fraser, Minister of Housing, Infrastructure and Communities, Government of Canada, announced that there is expected to be a renewed housing plan to help alleviate homebuilding cost pressures and boost productivity.

There are considerable changes locally, provincially, federally and the CRD has taken the necessary steps to develop key areas of focus through the FHPP and continues to secure debt capacity in support of seed funding for a scaled-up housing supply program.

Financial Implications

To advance the Acquisition Strategy, on December 13, 2023, the CRD Board approved amending Bylaw No. 4551 to increase the maximum requisition to the greater of \$11.5M annually or \$0.062 per \$1,000 assessed value for Bylaw No. 3712 Land Assembly, Housing and Land Banking Service Establishment Bylaw. This increase in maximum requisition represents a maximum change per average household of up to \$26 annually. It should be noted that the increased requisition will be committed to debt servicing costs for the \$85M capacity attached to the loan authorization bylaw which is currently subject to an alternative approval process (AAP).

In preparation for the potential approval of increased borrowing capacity through the approval of a loan authorization bylaw, and subject to a successful AAP, staff intend to begin exploring potential sites for acquisition while also starting to undertake scoping work on a RHP pilot project. This will be done through use of available capacity, which is subject to CRD Board approval of the 2024 Financial Plan.

As noted under service delivery implications, considerable works must be undertaken prior to bringing a recommendation forward to the CRD Board and staff will look to return to the CRD Board seeking funds on a project-by-project basis.

Environmental Implications

The housing priorities being advanced are with consideration of the Regional Growth Strategy, the *Islands Trust Act*, and core principles of smart growth planning. Each municipality and land use authority can ensure environmental metrics are met at the time of project approvals.

The Acquisition Strategy further considers two key components to support a reduction of adverse environmental impacts:

- 1) Walkability – The consultant has prepared maps depicting those areas that are within 400 metres of a transit stop, which are shown on pages 68-77 of Appendix B. This is to help the CRD focus its efforts on those locations well served by transit.

- 2) Parking – Due to the focus on walkability when considering potential acquisition or investment, the model prepared by the consultants assumes zero parking stalls for a studio, 1 and 2-bedroom unit. The model further assumes a single parking stall for any unit that is 3-bedroom + as this would consist of a larger family that may be more reliant on vehicle use.

Development undertaken on acquired lands would be subject to local government requirements and sustainability/efficiency measurement built into a capital or operating funding program. The RHP pilot scoping work will be taking place within the SGI and SSI electoral areas, which are under the land use authority of Islands Trust and the legislative obligations under the *Island Trust Act*.

CONCLUSION

Future Housing Priorities and Partnership initiatives are being developed to address unmet need related to housing affordability and homelessness through innovation, partnership, and cross-sectoral collaboration.

Two consultant reports have been appended to the staff report with a focus on enabling the advancement of the Acquisition Strategy as well as a feasibility report on an RHP. Staff are recommending to begin advancing efforts under the Acquisition Strategy while also beginning to develop the scope of a pilot program on SSI and SGI that falls under the RHP. This is to be done through use of existing resources with any new resources being subject to CRD Board approval through budget amendments, which are to be advanced on a project-by-project basis.

RECOMMENDATION

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

1. That staff begin advancing efforts under the Regional Housing: Acquisition Strategy; and
2. That the CRD negotiate and execute a Memorandum of Understanding with the Southern Gulf Islands Tourism Partnership to receive \$100,000 for staff coordination of the Rural Housing Program pilot scoping.

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

ATTACHMENTS

- Appendix A: Future Housing Priorities and Partnerships White Paper
Appendix B: Regional Housing: Acquisition Strategy (Patricia Maloney Consulting, Bayshore Planning Services Inc., and Mullholland Parker Land Economists Ltd. 2024)
Appendix C: Rural Housing Pilot Project Analysis (Urban Matters, 2024)
Appendix D: Rural Housing Program Pilot (2024)



Future Housing Priorities and Partnerships

INTRODUCTION

Since 2016, a partnership between the Capital Regional District (CRD) and federal and provincial partners has contributed to the development of over a thousand new units, addressing the needs of households in need of affordable housing in the region. Through the Regional Housing First Program (RHFP), the CRD, BC Housing Management Commission (BC Housing) and the Canada Mortgage and Housing Corporation (CMHC) committed \$30 million (M) each to build housing units to help address chronic homelessness in the region. In 2020, each partner committed to increasing their contribution by \$10M to address escalating land acquisition and construction costs. With a total capital fund of \$120M, the RHFP was better positioned to achieve its target of up to 2,000 Affordable Rental Units, with up to 400 of those units having rents set at Government of British Columbia's Income Assistance Rate Table Shelter Maximum (Shelter Rate). Overall, the program is expected to leverage the development of approximately \$600M in capital development. As of July 2022, 11 projects have been approved through the RHFP program, representing 1,055 units, with 238 to be rented at Shelter Rate.

Although details have yet to be announced, new and revitalized federal programs, such as the new Housing Accelerator Fund, a third round of the Rapid Housing Initiative and potential reopening of the Affordable Housing Innovation Fund, as well as initial discussions with federal colleagues, suggest potential opportunities for future partnerships. While a specific provincial funding program is not currently open to support a partnership, early discussions with the Province indicate interest, should opportunities present. A new partnership could also help the provincial government achieve its target of building 114,000 units by 2027.

The following provides an overview of current challenges and presents options for the next opportunity to address unmet need related to housing affordability and homelessness through innovation, partnership and cross-sectoral collaboration. Opportunities to address unmet need were identified through research, analysis and engagement with internal CRD staff, municipal, provincial and federal stakeholders, including with the Regional Housing Advisory Committee.

Recommended interventions for consideration include:

- Opportunities to acquire existing housing or land to increase and preserve the supply of affordable rental and create future redevelopment opportunities;
- A Rural Housing Strategy to increase the supply of affordable housing in rural and remote communities; and
- Increase the supply of housing with supports to people with complex needs not currently adequately supported by the traditional models.

CURRENT CHALLENGES

The capital region, like many communities across Canada and around the world, continues to experience challenges related to escalating cost of housing, affordability and homelessness. The population of the region is expected to continue to grow from an estimated 392,100 in 2018, to an estimated 478,500 in 2038¹, adding housing pressure in the region. Demand is particularly

¹ [bylawno-4328.pdf \(crd.bc.ca\)](#)

strong in the rental system, especially affordable rental units. Data suggests a continued trend of low vacancies in the lower price quartiles and high rates of core housing needs for renters².

CMHC's 2021 Rental Market Report, released in February 2022, showed tightened market conditions in the Victoria Census Metropolitan Area (CMA) in 2021³. Key findings include:

- Vacancy rates declined to 1%, one of the lowest in Canada;
- Two-bedroom purpose built rentals average rent increased by 3.1%;
- Demand returned, but supply is lagging behind and is unevenly distributed with 80% new supply concentrated in the Westshore region; and,
- Rental affordability and suitability remain a challenge for low-income households.

As of March 31, 2020, there were 12,957 subsidized housing units in the Growth Management Planning Area (GMPA), including emergency shelters, housing for the homeless, transitional and supported housing and assisted living, independent social housing and rent assistance in the private market, representing an increase of 1,046 units over the previous year⁴.

The development of non-market housing has been supported through a number of new and expanded funding programs at all levels of government. In 2019, the Province of British Columbia committed more than \$7 billion over 10 years for programs such as Building BC, including the Community Housing Fund, Affordable Rental Housing Program, Supportive Housing Fund, Women's Transition Housing Fund and Indigenous Housing Fund. In 2020, the Government of Canada launched the Rapid Housing Initiative, providing capital contributions to support the creation of new affordable rental units for people who are vulnerable. In the capital region, there has been and continues to be significant investments in housing through federal and provincial programs. Since 2018, the following units have been supported through various provincial and federal programs:

- Supportive Housing Fund: funding toward over 600 units across 12 projects
- Community Housing Fund: funding toward almost 900 units across 10 projects
- Rapid Housing Initiative: funding toward 136 units across three projects
- Indigenous Housing Fund: funding toward 164 units across two projects.

While the region has seen increases in the number of subsidized housing units in the GMPA, insufficient supply of affordable housing in the private market relative to population growth is also a factor. In response, a number of funding programs to support increased supply of below market housing have been launched in recent years. Provincially, this includes the HousingHub which brings together private and non-profit stakeholders to create new affordable rental and homeownership options for middle-income residents. The federal government also launched and then expanded programs such as the National Housing Co-Investment Fund to support development of mixed-income, mixed tenure and mixed-use affordable housing.

While insufficient supply is a contributing factor to the increasing cost of housing, low mortgage rates, increasing upper-middle class incomes, investor buyers and accumulated equity are also key factors. Investor buyers and repeat purchasers make up the majority of homebuyers, many

² <http://crd.ca.legistar.com/gateway.aspx?M=F&ID=a7f6cc77-f6b6-4b32-bde9-c0a8e4411b45.pdf>

³ [Rental Market Report | CMHC \(cmhc-schl.gc.ca\)](https://www.cmhc-schl.gc.ca/en/rental-market-report)

⁴ [rgs-indicatorreport2021.pdf \(crd.bc.ca\)](https://www.crd.bc.ca/files/rgs-indicatorreport2021.pdf)

of which have accumulated significant equity from rising home prices. As one of the leading Canadian researchers on housing, Steve Pomeroy notes:

“It is not the quantity of buyers (i.e., total demand), it is the quality (income and wealth, abetted by low mortgage rates) of this very small segment of ‘market makers’ that have been the ones driving up home prices. ... This small segment is creating market imbalance and serious challenge for lower income households...”⁵.

This suggests the importance of building the right supply, rather than the quantity.

Although challenges related to the cost of housing are felt by many in the capital region, research indicates some residents and communities face distinct challenges, including people with complex needs who are experiencing homelessness, and people in rural and remote areas of the region.

Challenges addressing homelessness

The 2020 Greater Victoria Point-in-Time homeless survey estimated 1,523 individuals experiencing homelessness in the region, compared to 1,525 in 2018⁶. 2020 survey results showed higher numbers of unsheltered individuals (270, as compared to 158 in 2018) and higher numbers of people couch surfing (145, as compared to 95 in 2018). Using a different methodology, a new provincial report on homelessness estimates 1,595 individuals experienced homelessness in 2019⁷.

The COVID-19 pandemic placed enormous pressure on individuals and communities throughout the region. Many in our communities lost income, resulting in greater housing insecurity or housing loss. Individuals without homes, living outside or in shelter were challenged to comply with public health recommendations to maintain physical distance.

People living with complex needs experience particularly difficult challenges. While the CRD, Province of BC and the Government of Canada have all made historic investments in housing, including housing to meet the needs of people experiencing homelessness, many communities are not able to meet the needs of some vulnerable residents.

Supportive housing (subsidized housing with onsite supports for single adults, seniors and people with disabilities at-risk of or experiencing homelessness) is an important part of the housing continuum. The onsite support services help people who have experienced homelessness find and maintain stable housing.

However, people with complex needs do not always fit into the current supportive housing model. The current healthcare system is also challenged to provide appropriate support. There is a lack of ongoing rehabilitation care, services that specialize in mental health or substance use, but not both, and a lack of housing options for people who are not ready or not willing to engage in treatment. As a result, people with complex needs fall through the cracks. In many communities, including the capital region, this can lead to increased erratic behavior, open drug use and crime.

⁵ [Exploring causes of escalating home prices: Part 2, demand issues | chec ccrl.ca \(chec-ccrl.ca\)](https://chec-ccrl.ca/chec-ccrl.ca)

⁶ [crd-pit-count-2020-community-report-2020-07-31.pdf \(victoriahomelessness.ca\)](https://victoriahomelessness.ca/crd-pit-count-2020-community-report-2020-07-31.pdf)

⁷ [Appendix: 2019 Homeless Cohort Data Tables \(gov.bc.ca\)](https://gov.bc.ca)

In response, the BC Urban Mayors caucus has actively advocated for the creation of appropriate housing and supports for people with complex needs⁸.

A distinct approach is required to address the needs of people who have overlapping mental-health challenges, substance-use issues, trauma and acquired brain injuries and who may experience or be at greater risk of homelessness. Approaches may include coordinated health, mental health and substance use services, along with housing, cultural and social supports, to meet these complex needs. This requires new approaches for collaborating across sectors.

In response to this challenge, the Province of BC has initiated plans to support up to 500 people with new Complex Care Housing: a suite of services and supports to better meet the needs of people with complex needs, including people with severe mental health, substance use issues or traumatic and acquired brain injuries who are homeless or unstably housed. In March 2022, the Province announced plans for 100 spaces in Greater Victoria. As the investment does not include capital funding, it is anticipated that the complex care spaces will be delivered by converting existing supportive housing sites, or supportive housing sites currently in development.

Challenges in rural and remote communities

Discussions of challenges associated with preserving, acquiring and developing housing are often in relation to large, urban centres. However, many rural and remote communities experience distinct and urgent needs. Rural homelessness is difficult to measure, as it is often more hidden, with more people living temporarily with friends or family or living in abandoned or overcrowded buildings. According to a 2021 report from the National Alliance to End Rural and Remote Homelessness, 31% of Canadians live in rural and remote communities where residents suffer from homelessness in equal or greater numbers than their urban counterparts⁹. A recent provincial research study quantifying homelessness found that, on a per capita basis, it was smaller, rural and northern communities that have the highest proportion of homelessness, based on their population¹⁰.

Housing affordability challenges have been experienced in many rural and remote communities. Recent assessed property values increased across the region, but particularly in smaller communities where value estimates rose by up to 34% in the District of Highlands and District of Sooke, and up to 35% in the District of Metchosin and the Gulf Islands¹¹. According to the recently updated Southern Gulf Islands Housing Needs Report, between 2017 and 2021, median sales prices have increased significantly from 35% to 137%, depending on the island¹².

CMHC's Rental Market Survey indicates lower vacancy rates and higher average rents across the Victoria CMA (see Figure 1 below). This includes areas outside of the core, which saw

⁸ [BC Urban Mayors make renewed and urgent call to implement complex care housing solutions - BC Urban Mayors' Caucus \(bcurbanmayorscaucus.ca\)](https://bcurbanmayorscaucus.ca)

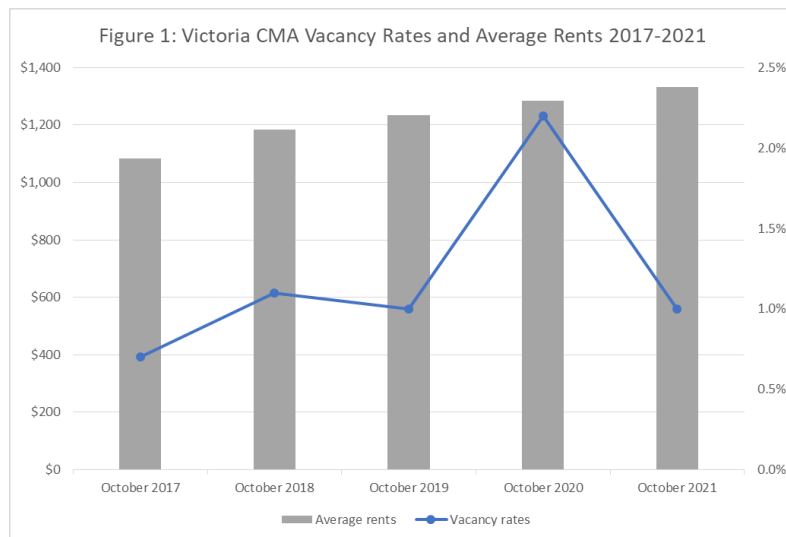
⁹ [NationalAllianceToEndRuralAndRemoteHomelessness-e.pdf \(ourcommons.ca\)](https://ourcommons.ca)

¹⁰ [Report: Preventing and Reducing Homelessness Integrated Data Project, Province of British Columbia 2021 \(gov.bc.ca\)](https://gov.bc.ca)

¹¹ [Vancouver Island 2022 Property Assessments in the Mail \(bcassessment.ca\)](https://bcassessment.ca)

¹² Southern Gulf Islands Updated Market Analysis (Feb 2022)

decreased vacancy rates and increased average rents for almost all apartment types.¹³ See Appendix A for vacancy rates and average rents across Zones 1-10 of the Victoria CMA.



Rural and remote communities also face unique challenges in the development of affordable housing. These include: difficulty accessing financing; limited development expertise; fewer consultants with specialized expertise in rural and remote communities; challenges related smaller scale projects; funding program criteria that is not always applicable to rural and remote context; and lower supply of skilled labour¹⁴. Areas such as Salt Spring Island and the Southern Gulf Islands are also part of the Islands Trust Area, which mandates preservation and protection of the natural environment and unique amenities of the area.

Released in November 2021, the Southern Gulf Islands Community Housing Strategy identifies the need to approach housing solutions using different assumptions than those used for conventional housing interventions in urban areas of the region. The Strategy includes key objectives such as: exploring the potential for a CRD Rural Housing Program; annual affordable housing demand estimates; supporting third party affordable housing projects through new tools; support for pre-development expenses for affordable housing; development of garden suites and cottages; enabling alternative housing types; and taking a whole government approach through collaboration and advocacy.

A distinct approach, including specific tools, resources and supports, is required to meet the needs of rural and remote communities.

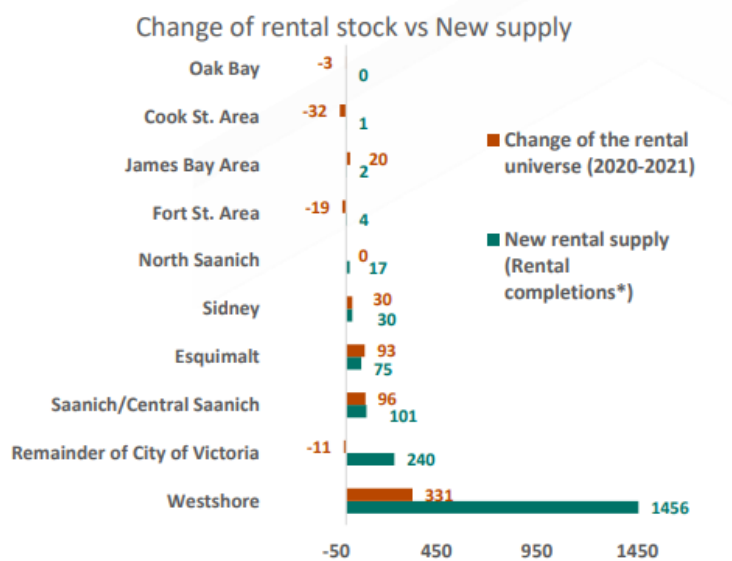
Challenges preserving existing affordable housing

Recent years have seen an increased number of financial landlords such as private equity firms, asset managers, publicly listed companies, real estate investment trusts (REITs) and financial institutions purchasing multi-family rental and single family rental, including naturally occurring affordable housing (NOAH). Between 2011 and 2016, across the country, the number of private rental units affordable to households earning less than \$30,000 per year declined by 322,600

¹³ Source: Rental Market Survey (CMHC). © 2022 Canada Mortgage and Housing Corporation

¹⁴ [SmallCommunitiesInitiative-Research-Brief-plus-Resource-Guide-March-28.pdf \(mnpha.com\)](https://www.mnpha.com/en/SmallCommunitiesInitiative-Research-Brief-plus-Resource-Guide-March-28.pdf)

units¹⁵. In BC, recent analysis by Housing Central notes that between 2015 and 2019, 34,000 rental units were lost. With provincial investment supporting just over 11,000 affordable homes in the same time period, for every one affordable unit developed, over three affordable homes in the private sector were lost¹⁶. According to recent CMHC Rental Market Survey data, this trend is also evident within the capital region, as illustrated in the table below¹⁷.



* The number of rental completions is the cumulative number of rental structures completed from July 2020 to June 2021. This is consistent with the time frame covered by the 2021 Rental Market Survey.

The loss of NOAH is partially driven by the financialization of rental housing through investment by large capital funds and smaller investors capitalizing on rising rents, as well as redevelopment of sites with older, low-moderate rent properties¹⁸. Building new supply is one approach, but the high cost and longer timelines for construction makes replacing these affordable units challenging.

In recent years, there has been an increased awareness of the impact of the financialization of housing, which refers to the “expanding and dominant role of financial markets and corporations in the field of housing, leading to unaffordable and insufficient housing and discrimination¹⁹.” Rather than for social good or human rights, housing is treated as vehicle for income and investment, and has transformed housing and real estate markets around the world²⁰. The United

¹⁵ [Why Canada needs a non-market rental acquisition strategy. May 2020 | Focus Consulting Inc. \(focus-consult.com\)](#)

¹⁶ [Budget 2022 Submission - BC Non-Profit Housing Association | BCNPHA](#)

¹⁷ Source: CMHC Rental Market Survey, CMHC Starts and Completion Survey. The geographical definition in the chart is based on the CMHC Rental Market Survey Zone. For details, please refer to the Rental Market Report February 2022.

¹⁸ [Why Canada needs a non-market rental acquisition strategy. May 2020 | Focus Consulting Inc. \(focus-consult.com\)](#)

¹⁹ [Facing financialization in the housing sector: A human right to adequate housing for all - Ingrid Leijten, Kaisa de Bel, 2020 \(sagepub.com\)](#)

²⁰ [OHCHR | Financialization of housing](#)

Nations Special Rapporteur on the Right to Adequate Housing has called for governments to ensure markets serve housing need rather than investment priorities.

Strategies that enable non-profit housing providers to preserve existing affordable rental housing include an acquisition strategy. An acquisition strategy would: “enable low-income tenants to stay where they are, stabilizing neighbourhoods and preserving a diversity of incomes and tenures in gentrifying districts; preserve and extend the legacy of public investment (many of the buildings at risk of financialization were created through federal grants and tax incentives totalling \$4 Billion Canada-wide); [and] be faster and surer than new builds²¹.”

The BC Non-Profit Housing Association has called on the Province of BC to commit \$500M to create a rental housing acquisition strategy to provide expedited grants to acquisition projects initiated by the community housing sector. An acquisition fund could also include a revolving loan fund to facilitate strategic property acquisition, replaced with long-term low rate financing from CMHC²². The value of an acquisition fund has been raised by federal Minister Ahmed Hussen at the February 2022 National Housing Supply Summit, including the ability for non-profits and local governments to acquire land and the importance of not losing supply. The Minister’s mandate letter also directs the Minister to “help affordable housing providers acquire land and buildings to build and preserve more units²³.” However, the 2022 Federal Budget did not include funding toward an acquisition strategy.

The above mentioned challenges highlight the significant housing gaps in the region and areas where households are not being adequately served. It also helps explain why communities in the capital region face substantial barriers in addressing these challenges. These challenges also shed light on what is necessary to address these challenges. While new affordable housing supply is needed, additional supply is not enough. Addressing unmet needs in the region will require innovation, partnership and cross-sectoral collaboration.

RESPONDING TO THE CHALLENGE

The CRD is exploring options for addressing housing affordability challenges in the region through partnerships with provincial and federal partners. A future funding program to address unmet need through development and acquisition of new affordable housing units could target three specific areas of unmet need:

1. **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
2. **Rural Housing Strategy** to increase, preserve and broaden the supply of affordable housing in rural and remote 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

²¹ [Beat the REITs? Or join them? | Opening the Window](#)

²² [Affordable housing is a hot commodity — and a new Ottawa land trust wants to counter that | Ottawa Citizen](#)

²³ [Minister of Housing and Diversity and Inclusion Mandate Letter \(pm.gc.ca\)](#)

3. 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 three priorities target areas with unique challenges and where need is unable to be met by traditional funding programs. The priorities also acknowledge the changing landscape and expanding role of financial markets and corporations in the field of housing, reducing barriers for communities and non-profit providers in protecting, preserving and enhancing existing affordable stock.

Current CRD Services

The CRD currently offers a number of services that would complement a new funding program to acquire land and housing and address the unique needs underserved households such as those with complex needs and in rural communities.

The CRD's Real Estate Services strategically manages appraisal, acquisition and disposal of real property interests. In addition, Real Estate Services is responsible for maintaining property information, coordinating referrals from outside agencies and performing property research on behalf of CRD staff. These existing services would be an asset to supporting a future acquisition fund in the region.

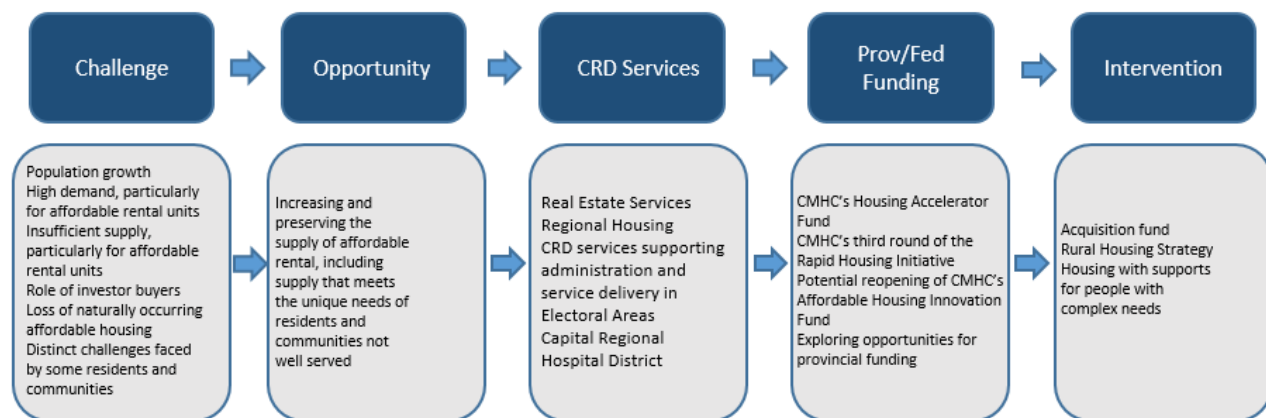
The range of services provided under the Regional Housing portfolio would also ensure the CRD is well positioned to support a program with the above mentioned priorities. Regional Housing includes planning, construction and operation of housing services, as well as administration of the current RHFP.

As a regional district, the CRD is responsible for administration and delivery of local services in the Juan de Fuca, Salt Spring Island and Southern Gulf Islands electoral areas. The recently released Southern Gulf Islands Housing Strategy includes a recommendation to explore the potential for a CRD Rural Housing Program that takes into consideration the unique characteristics of rural communities. Development of a business case that explores the viability of establishing a CRD Rural Housing Program would help support and guide the development of a future funding partnership opportunity.

The CRD is well positioned to support a program to increase the supply of housing with supports for people with complex needs, not adequately supported by the traditional housing and health models. The CRD's Housing Initiatives and Programs team administers the federal Reaching Home funding program, expected to total over \$3.2M in funding to support people experiencing homelessness in the region.

Finally, the Capital Regional Hospital District's (CRHD) capital funding mechanism would also play a complimentary role. The CRHD partners with Island Health and community stakeholder agencies to develop and improve healthcare facilities in the region and provide capital funding for infrastructure such as acute care, residential care and hospital equipment.

CONCLUSION AND RECOMMENDED NEXT STEPS



This document has provided an overview of: current challenges; proposed opportunities to address unmet need; existing CRD services that could support new funding programs; potential funding partnerships; and interventions to address housing affordability challenges in the region through innovation, partnership and cross-sector collaboration. Challenges include:

- Population growth
- High demand, particularly for affordable rental units
- Insufficient supply, particularly for affordable rental units
- Role of investor buyers
- Loss of naturally occurring affordable housing
- Distinct challenges faced by some residents and communities

Opportunities to address these challenges were identified through research and engagement with internal CRD staff and municipal, provincial and federal stakeholders, including the Regional Housing Advisory Committee. These include increasing and preserving the supply of affordable rental, including supply that meets the unique needs of people with complex needs who are experiencing homelessness, and people in rural and remote areas of the region.

The identified opportunities could be supported by existing CRD services, including: Real Estate Services; Regional Housing; CRD services supporting administration and service delivery in Electoral Areas; and the CRHD.

Initial discussions with provincial and federal partners indicate potential funding opportunities to support the identified priorities to address unmet need in the region. This may include:

- CMHC's Housing Accelerator Fund
- CMHC's third round of the Rapid Housing Initiative
- Potential reopening of CMHC's Affordable Housing Innovation Fund
- Exploring opportunities for provincial funding, supporting the provincial government's target of building 114,000 units by 2027

Recommendation

Through consideration of challenges, opportunities, support through CRD services and potential funding through federal and provincial partners, the following interventions are recommended to address unmet need in the region through innovation, partnership and cross-sector collaboration have been presented:

1. **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;
2. **Rural Housing Strategy** to increase, preserve and broaden the supply of affordable housing in rural and remote communities, recognizing the need to approach housing solutions in these communities with different assumptions than those used for conventional housing interventions in growing urban regions; and
3. 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.

In addition to staff continuing to explore these three identified pillars underpinning additional efforts to address housing affordability pressures felt across the capital region, advocacy to senior levels of government and continued engagement with municipal partners will be critical in supporting success. As noted throughout this white paper, intervention in the complex issue of decreasing housing affordability and the continued persistence of homelessness will require efforts from all levels of government in support of programs that are tailored to the unique needs of households and individuals across the capital region.

Therefore it is further recommended that staff continue to:

4. Explore opportunities to **advocate to senior levels of government** on the opportunities for partnerships on the identified interventions presented through this document; and
5. **Share efforts on continuing to explore these intervention areas with interested municipalities** to ensure that any future housing supply program reflects the diversity of needs and opportunities across the capital region.

Next Steps

Housing affordability and homelessness are complex policy problems that require new approaches, innovation, partnership and cross-sector collaboration. It is no longer possible for any one level of government to address these challenges alone. The RHFP has demonstrated the impact of partnership; through development of an anticipated 2,000 affordable rental units, with up to 400 of those units having rents set at the income assistance shelter rate. As the CRD prepares for the RHFP to come to a close, there is an opportunity to consider priority interventions to meet unmet need in the region.

Staff will continue to develop the recommended options, which will include continued engagement with provincial and federal partners to: explore funding contributions; consider financial modelling and funding mechanisms; development of a proposed budget; cost implications; eligibility criteria; roles and responsibilities of funding partners; and plans for monitoring and reporting. Staff will return in 2023 with a detailed proposal for a Program Framework and business case, for intended implementation in 2024.

Table 1: Private Apartment Vacancy Rates (%) by Zone and Bedroom Type - Victoria CMA

Zone	Bachelor		1-bedroom		2-bedroom		3-bedroom	
	Oct-20	Oct-21	Oct-20	Oct-21	Oct-20	Oct-21	Oct-20	Oct-21
Zone 1 - Cook Street Area	0.4	1.0	2.2	1.2	1.5	0.7	0.0	0.0
Zone 2 - Fort Street Area	1.4	1.6	1.8	0.5	1.7	0.4	**	0.0
Zone 3 - James Bay Area	3.6	0.5	2.6	2.0	4.9	1.4	**	**
Zone 4 - Remainder of City	2.1	1.1	2.6	0.8	1.9	1.0	0.0	2.3
City of Victoria (Zones 1-4)	2.1	1.0	2.3	1.1	2.5	0.9	1.2	2.1
Zone 5 – Saanich/Central Saanich	1.2	**	2.3	1.3	3.2	1.2	**	**
Zone 6 - Esquimalt	0.9	0.9	1.1	1.6	1.8	0.6	0.0	1.3
Zone 7 – Langford/View Royal/Colwood/Sooke	2.7	0.7	1.6	0.4	2.4	0.3	0.7	0.7
Zone 8 – Oak Bay	**	0.0	0.9	0.4	1.2	0.2	**	**
Zone 9 – North Saanich	**	**	**	**	**	**	**	**
Zone 10 – Sidney	**	**	0.0	0.0	**	1.0	**	0.0
Remainder of CMA (Zones 5-10)	2.2	1.0	1.6	1.0	2.3	0.7	0.8	0.9
Victoria CMA	2.1	1.0	2.1	1.0	2.4	0.8	0.9	1.4

** Data Suppressed

Table 2: Private Apartment Average Rents (\$), by Zone and Bedroom Type - Victoria CMA

Zone	Bachelor		1-bedroom		2-bedroom		3-bedroom	
	Oct-20	Oct-21	Oct-20	Oct-21	Oct-20	Oct-21	Oct-20	Oct-21
Zone 1 - Cook Street Area	957	994	1,193	1,207	1,475	1,500	1,879	1,753
Zone 2 - Fort Street Area	986	961	1,125	1,157	1,450	1,501	2,082	2,069
Zone 3 - James Bay Area	1,084	1,091	1,273	1,281	1,661	1,697	2,129	2,201
Zone 4 - Remainder of City	992	1,019	1,173	1,197	1,518	1,595	1,828	1,916
City of Victoria (Zones 1-4)	1,009	1,024	1,184	1,205	1,528	1,580	1,920	1,975
Zone 5 – Saanich/Central Saanich	1,020	1,013	1,150	1,213	1,490	1,558	1,622	1,928
Zone 6 - Esquimalt	905	920	1,109	1,125	1,252	1,323	1,512	1,636
Zone 7 – Langford/View Royal/Colwood/Sooke	1,139	1,160	1,385	1,417	1,660	1,710	1,697	1,849
Zone 8 – Oak Bay	920	1,005	1,154	1,207	1,579	1,641	**	**
Zone 9 – North Saanich	**	**	**	**	**	**	**	**
Zone 10 – Sidney	**	1,218	1,276	1,251	1,492	1,618	**	2,311
Remainder of CMA (Zones 5-10)	1,036	1,060	1,189	1,234	1,484	1,562	1,653	1,843
Victoria CMA	1,015	1,032	1,185	1,214	1,507	1,571	1,758	1,894

** Data Suppressed

CAPITAL REGIONAL DISTRICT

Regional Housing: Acquisition Strategy

*Prepared by Patricia Maloney Consulting
In partnership with
Bayshore Planning Services Inc. and Mulholland Parker Land
Economists Ltd.*



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Executive Summary

The Capital Regional District (CRD) engaged Patricia Maloney and Associates, in collaboration with Bayshore Planning Services Inc. and Mulholland Parker Land Economists Ltd. (the Consultant), to formulate a Regional Housing Acquisition Strategy. The primary objective is to identify strategic avenues for building and preserving the supply of affordable housing within the Region's urban areas.

Housing is a critical issue in our society today. Affordability, availability, appropriateness, and tenure are critical issues that have been exacerbated by increasing construction prices, rising mortgage and interest rates, in-migration to British Columbia, shortages in staff and experienced trades and overall increases in the cost of living.

The Capital Regional District wants to see how they can contribute to increasing housing in the region. Ten urban municipalities of the Region were the subjects of the research and mapping. Only the lands within the urban containment boundaries were considered. Data was obtained from a variety of sources including BC Transit, each municipal Land Use Bylaw (LUB)¹ and Official Community Plan as well as BC Assessment. Other sources such as Reddit and on-line rental sites were used to gather data on current market rents in the region. BC Housing standards for residential dwelling unit size was used to calculate costs and densities. Housing is considered affordable (attainable) when it consumes no more than 30% of a household's gross, pre-tax income. This definition is used by both BC Housing and Canada Mortgage and Housing Corporation.

With recent legislative changes in British Columbia, as well as new funding programs, the support for the development of both market and non-market housing is strong. A review of new funding opportunities for the private sector, local government, and non-profit societies was conducted. Emphasis is placed on collaboration among these groups, aiming to provide expertise and partnership for developing or redeveloping existing sites along with the utilization of the CRD “seed money”.

The Consultant has created criteria for the location of affordable housing projects, defined walkability, researched other land acquisition strategies and ultimately created a model for CRD to use to establish the financial viability of any identified project. The strategy looks at ways for CRD to finance housing projects. The options reviewed were: buy land and partner with a non-profit organization to build and manage housing; buy land, and build and manage housing; purchase turnkey units in market buildings; and purchase existing residential units to ensure affordable housing.

¹ The Local Government Act refers to Land Use Regulation Bylaws. Division 5 of the Act refers to Zoning Bylaws. However, each municipality may refer to their bylaw as a Land Use or a Zoning Bylaw. For the purpose of this reports, we have used the term Land Use Bylaw.

The key findings and recommendations of the Housing Acquisition Strategy include:

- The CRD should be able to respond to opportunities quickly;
- Utilize lands already owned by non-profits, local governments, and senior governments for affordable housing and looking at ways to expand this land inventory;
- Use the Official Community Plan to identify lands for housing and eliminating public hearings for rezoning;
- Pre-zone lands for housing to reduce the costs and time to process applications;
- Increase density bonusing, and relax DCCs and ACCs;
- Use the local jurisdiction authority to waive fees for affordable housing projects;
- Establish inclusionary requirements for affordable housing units in new multi-family residential development projects;
- Locate affordable housing in walkable areas;
- Remove or drastically relaxing parking requirements;
- Lobby to improve transit services; and
- Increase allowable densities and Floor Space Areas in transit-oriented locations to enable these developments to achieve financial viability, as warranted.

The key deliverable of the study is a spreadsheet that allows the CRD to test any potential site for financial viability. The Financial Model will create a pro forma for each individual project identified. The CRD will input the current information for the specific site. The examples completed for this report were based on current municipal LUB regulations and BC assessment for land prices. The Model will allow the CRD to assess each individual site, in collaboration with the home municipality to determine the actual financial viability of each project. The criteria or elements built into the model include:

Land Costs	Architect fees	Operating Costs
Land Financing	Engineering Fees	Periodic Improvements
Construction Costs	Site Servicing	Structural Reserve Fund
Construction Financing	Site Connections	Tenant Improvements
Property Tax Transfer	DCCs and ACCs	Hard Cost Contingency
Other Closing Costs	Landscaping, Signage and Lighting	Furniture, Fixtures and Equipment
Real Estate fees	Project Management	Survey
Property Taxes	Other Consultants	Accounting
GST	School Site Acquisition Charge	Legal
Rezoning Fee	Research and Appraisal	Insurance
Development Permit Application Fee	Building Permit and Inspection Fees	Utilities

The Operator's Manual is provided separate to this report, as it contains proprietary information for the CRD.

1.0 INTRODUCTION

The Capital Regional District (CRD or Region) is the regional government for 13 municipalities and three electoral areas on the southern Vancouver Island and southern Gulf Islands serving over 415,000 people, according to the 2021 Federal Census. This is an 8.4% increase from the 383,360 population of 2016. The CRD also encompasses traditional territories of many First Nations spanning portions of the Region and 11 of those Nations hold reserve lands throughout the CRD. This significant growth in the Region has not been matched by housing construction.

The CRD is similar to many geographies in Canada. There is a critical shortage of affordable housing for a wide variety of households including vulnerable, seniors, supportive and “workforce” housing. The CRD has been involved in finding solutions to the housing shortage for years, including the Regional Housing First Program initiated in 2016, working with BC Housing and Canada Mortgage and Housing Corporation (CMHC). The CRD currently offers services supporting the implementation of an acquisition plan through the Regional Housing Division (Housing, Planning and Protective Services) works closely with the Real Estate Division (Corporate Services). The CRD Corporation is an established and experienced arm of the CRD that will be able to manage and operate funded housing projects due to this strategy.

This study has looked at 10 of the urban municipalities in the Region, and their policies and bylaws to identify the current costs of construction, current costs of land, and the forms that affordable housing could take. The assumption has been made that the form of housing will be in multi-unit residential development to make best use of the land by ensuring an appropriate density. Not all 13 municipalities were included due to the rural nature of some of the jurisdictions. Electoral areas were not included, again, due to the rural nature of the area implying that transit and infrastructure to support multi-family residential developments is not available. In addition to non-market housing, the model developed looks at the opportunity to combine market and non-market housing to provide housing types and prices for all. The study only considered lands within the Urban Containment Boundary.

It was recognized that affordable housing has locational criteria that make lands more or less suited for affordable housing. These include walkability to a wide variety of services and facilities, and access to transit. These walkable/accessible areas were mapped for each of the 10 municipalities.

This report includes the results of research on land acquisition strategies and walkability in other jurisdictions to identify best practices and options. In addition, the Consultant has looked at the Land Use Bylaws (LUBs) and the Official Community Plans (OCPs) of each municipality. This has provided the basis for the financial model, recognizing that a municipality can waive fees, reducing parking and increasing density for specific projects.

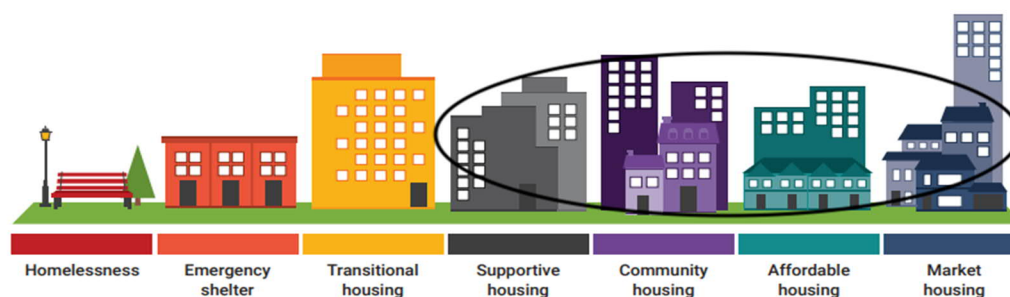
Market rental data was captured from on-line rental sites. This rental data for various unit sizes across the CRD was utilized to determine affordable rent levels based on the affordability benchmark. Affordability has been defined as not exceeding 30% of the annual net income before taxes and including other shelter costs (power, taxes, strata fees etc.). Research was also undertaken to identify funding any partnership opportunities with senior levels of government, which includes BC Housing, Ministry of Housing and CMHC. Explorations into the characteristics of existing affordable housing funds and the availability of public lands were conducted, recognizing these as critical components for developing affordable housing in the Region. This information aims to facilitate a deeper understanding of the affordable housing context in the CRD and British Columbia (BC).

This report was also prepared with the anticipation that the CRD would receive elector approval to borrow \$85 million to act as “seed money” for projects as well as to be used to purchase land and buildings.

The primary deliverable of this project is a spreadsheet that will allow the CRD to input the specific information regarding the purchase of a potential housing site and create a pro forma that will indicate the viability of the site, the density and the costs.

1.1 Purpose

The purpose of this study is to complete the research and develop a strategy for a housing and land acquisition strategy for the CRD. The Housing Continuum delineates a broad range of housing types from individuals experiencing homelessness (living on the streets, in their cars, or couch-surfing) to various shelter options, transitional housing, and supportive housing. It contains the near market and market housing both for ownership and rental. The non-market housing comprises supportive, community, and affordable housing, generally encompassing rental units with necessary support services, such as counseling, medical assistance, or financial aid. The market housing needs to have ranges from low to higher income. This study specifically investigates entry-level market housing and all forms of affordable housing, potentially including support for individuals aspiring to purchase their homes as illustrated on **Figure 1**.

Figure 1: The Housing Continuum²

As a component of the CRD's Regional Housing Acquisition Strategy, the application to borrow \$85 million is considered to be supportive for the strategy in that these funds will be utilized to catalyze affordable housing development and foster collaboration with municipalities, development communities, and non-profit housing providers.

1.2 Scope

The Request for Proposals specified a scope of work in three phases:

1. Exploration and Analysis;
2. Develop and Compare Acquisition Models; and
3. Preparation of the Final Report and Acquisition Strategy.

A Findings Report was submitted at the end of October 2023. The Scope of work identified direction for the acquisition models including:

- Purchase naturally occurring affordable rental housing;
- Purchase of shovel ready or development ready affordable housing projects;
- Purchase properties for future affordable rental housing development;
- Partner with landowners for affordable rental housing development; and
- Alternative methods.

Phase 3 of the study was to create an evaluation tool to guide investment decision and assess opportunities. This spreadsheet will allow the CRD to complete a walkability assessment for each site under consideration.

The deliverables for the project, included in this report are:

- Background research;
- Engagement Summary;
- Develop and compare potential acquisition models;
- Recommended acquisition models and an evaluation tool;
- Implementation and monitoring plan; and
- Draft and Final Acquisition Strategy.

² Canada Mortgage and Housing Corporation Housing Continuum

1.3 Engagement Summary

The engagement for this project included various committees of the CRD in addition to several meetings with staff. The engagement took place during October and November 2023, with the final presentation to the CRD Board in February 2024. **Table 1** below details what was included in each meeting.

Table 1: Engagement Summary

Date	Committee/Participants	Key Issues Raised
Sept. 5, 2023	Kick off Meeting with CRD Staff	Provided direction regarding focusing only on rental units. Confirmed to only use the 30% affordability definition.
Oct. 16, 2023	CRD and CMHC	Information provided on National Housing Co-Investment program and discussion of the soon to be announced housing project.
Oct. 20, 2023	CRD Senior Management	Definition of walkability should consider shorter distances than 400 m. Use BC Housing unit sizes and design guidelines.
Oct. 20, 2023	Regional Housing Advisory Committee	Ensure Rapid Transit nodes are included on maps. Consider partnering with private sector. Determine the percentage of units and their sizes.
Nov. 6, 2023	CRD and City of Victoria	Victoria has looked at 15 sites for housing. Victoria uses a 20% premium for lot consolidation for projects
Nov. 27, 2023	District Planning Advisory Committee	Concern that land values were high (BC Assessment was used). Concern that many municipalities reduce parking for affordable housing projects (current adopted LUB regulations were used)
Feb. 7, 2024	CRD Board	Present the final document.

2.0 DEFINITIONS

Addressing the rental housing challenge requires collaboration amongst various stakeholders including senior governments, regional agencies, municipalities, the non-profit development sector, and the development industry. However, these groups often have different perspectives and communication styles adding complexity to the process.

This document uses the following definitions:

"Affordable": means what the average person can afford for rent. For the purpose of this study, the report uses the definition adopted by both CMHC and BC Housing. Affordable housing is when a household does not pay more than 30% of their gross income before taxes on shelter. This includes rent/mortgage, strata fees, heat, and insurance. In 2021, the median household income for renters in the CRD was \$60,800, compared to the overall median of approximately \$84,000, which includes both owners and renters (Stats Can, 2021 Census).

"Amenity Cost Charges" (ACC): mean the amenities contributed by the developer to the community. Prior to the royal assent of Bill 46, community amenity contributions (CACs) were negotiated between the jurisdiction and the developer to provide some public benefit. Under the new legislation, ACCs will not be negotiated between municipalities and developers at the zoning stage. Rather, ACCs will be known upfront and adopted by bylaw. As with other development finance tools, local governments or the province may waive or reduce ACCs related to the development of certain types of affordable housing. In addition, ACCs will only be imposed on developments that benefit from the specific amenities in question and developers are only responsible for the portion of capital costs assigned to new users. ACCs will not be payable if a development is not expected to result in an increase in the population of residents or workers.

"Density Bonus": means a zoning practice where a developer is awarded additional density and units for the provision of some benefit to the municipality. These benefits may include on-site amenities, affordable housing or cash-in-lieu.

"Development Cost Charge (DCC)": means a charge on new development applied by Municipalities and regional districts levy to pay for new or expanded infrastructure such as sewer, water, drainage, parks and roads necessary to adequately service the demands of that new development. The DCC is established by bylaw reflecting all benefitting lands. Updating development cost charge bylaw every five years will generally keep the estimates of new development and infrastructure costs current.

"Land": means the physical sites that can be acquired for development and redeveloped. This can be purchased, donated or transferred and for the purpose of this study generally refers to land for housing development. The land considered in this report is located within the urban containment boundaries of the urban municipalities.

"Profit": means the net revenue that a developer intends to earn by completing a successful development project.

"Return on Investment" (ROI): means the income generated from investing capital in rental housing, expressed as an annual percentage of the capital amount. For instance, a \$10 million investment with a 5% ROI would yield a \$500,000 annual net income. Investors generally expect a three-part return: initial net income, gradual increases assuming rising rents, and potential profit from future asset sales exceeding the purchase price. ROI is not considered when developing publicly owned affordable housing projects but will be considered if a partnership of market and non-market housing is considered.

"Risk": means, in real estate projects, the potential for not meeting target profit or ROI, leading to a loss. Main risks in rental housing development include market risk (unlikely in Metro Vancouver currently), cost risk (rising construction costs), approvals risk (uncertainty, duration, and complexity of the approvals process), and regulatory risk (e.g., rent controls, constraints on keeping pace with market rents, and renovation restrictions).

3.0 STRATEGIC OBJECTIVES

The primary objective of this work is to develop a strategy for the CRD for the expenditure of public funds to increase the supply of affordable rental housing in the urban municipalities within the CRD. To do this, the strategy has considered tools and criteria for the identification of sites and level of development that will be financially viable. Challenges have been identified and recommendations for overcoming the challenges and adding to the overall housing stock in the Region.



The Strategic Objectives for this report are:

- Use public funds responsibly;
- Increase the overall number of housing units;
- Increase the total number of affordable and appropriate housing units;
- Consider partnerships for the provision of affordable housing;
- Establish “best practices” for defining the locations for affordable housing; and
- Create tools for the CRD to assess the financial viability of potential sites for affordable housing.

4.0 KEY FINDINGS

The research has provided several key findings for the basis of this report and the recommendations:

- Land cost is a major barrier to affordability. Use of public funds to acquire land for housing, increases the affordability and long-term security of the housing project.
- Purchase and rezoning of land for affordable housing will speed up the delivery of housing. Funders require the lands to be secured and appropriately zoned. Not-for-profit organizations are often challenged with the planning process and having the land zoned for the appropriate use removes the potential for residents who may not support affordable housing to have political influence.
- Parking is a cost barrier to the provision of affordable housing. Whether surface or underground, parking is costly and undermines the financial viability of a project. By providing affordable housing in walkable areas serviced by transit, parking requirements can be reduced or eliminated. In addition, new legislation, which takes effect June 30, 2024, states that developments with 6 or less residential units, does not have to provide on-site parking. It is left to municipal discretion.
- Most Housing Needs Assessments identify the primary need for housing as affordable, appropriate rental units. This strategy has focused on rental units.
- There is a need for larger rental units for families. The market cannot provide affordable 3-bedroom units. This must be part of the strategy.
- There are many partners to consider when the CRD is considering an affordable housing project including the federal and provincial governments, not-for-profit organizations as well as private sector partners.
- Affordable housing locations must consider walkability and less dependence on personal vehicles. This places a much greater emphasis on timely and well-located transit, as well as bike lanes and safe walking trails/sidewalks.

This report explores a variety of strategies for increasing the availability of land for new affordable rental supply:

1. Utilizing lands already owned by non-profits, local governments, and senior governments for affordable housing, and exploring innovative methods to expand this land inventory.
2. Using the OCP to identify lands for housing, thereby not requiring public hearings for rezoning.
3. Pre-zoning lands for housing to reduce the costs and time to process applications.
4. Using the rezoning process and associated tools to allow for density bonusing, relaxation of DCCs and ACCs.
5. Using the local jurisdiction authority to waive fees for affordable housing projects.
6. Establishing inclusionary requirements for affordable housing units in new multi-family residential development projects.

These approaches can be used in combination. It is common, for example, to combine an inclusionary housing requirement with higher density, so that the value of the new density offsets the costs of providing affordable units.

It is important to note that while the CRD was developing this strategy, the CRD was also seeking permission to borrow \$85 million for seed money for affordable housing projects.

However, the CRD does not have any jurisdiction over land, zoning, development regulations, subdivision or Development Permit Area interpretation. The CRD must work in partnership with the municipalities to identify locations for affordable housing that have municipal support for rezoning and development.

The report looks at 10 urban municipalities and provides a financial model for the CRD to utilize for each potential opportunity, as well as developing criteria for sites and development scenarios.

Provided in this report are examples of how the definitions and assumptions apply to a municipality. The two primary deliverables of this report are:

1. The provision of a financial model for a direct and automated comparison of various scenarios. The parameters of the financial model include built form (density, usage mix), costs (land, hard costs, soft costs, and financing), and operating revenue over time. The municipality builds their current regulations or reduced regulations into the proforma model to determine the financial viability of a specific site.
2. The provision of a strategy of how best to utilize the CRD finances to create the maximum number of affordable housing units.

4.1 Context

The CRD is the regional government for 13 municipalities and three electoral areas on southern Vancouver Island and the Gulf Islands, serving about 440,000 people. The traditional territories of many First Nations span portions of the region and 11 of those Nations hold reserve lands throughout the capital region. While each municipality has jurisdiction over their own land use, the Regional Growth Plan guides development throughout the Region. And while zoning and development falls within the jurisdiction of the municipalities, the CRD has determined that housing is a critical issue and requires the participation of the CRD along with senior levels of government to work towards alleviating the housing crisis.

4.1.1 The Capital Region Housing Corporation

The Capital Region Housing Corporation (CRHC) is a wholly owned subsidiary of the CRD and mandated to address affordable housing needs within the CRD. Managing more than 50 housing complexes across eight municipalities, CRHC is the Region's largest social housing provider, delivering affordable, inclusive, and sustainable housing for low-and-moderate-income families, low-

income seniors, and individuals on government disability pensions. CRHC strives to offer safe, suitable homes that remain affordable as residents' circumstances change.

4.1.2 CRD Seed Funding

The CRD realizes that the seed funding for these projects is critical to the success. The purchase of the land, or the front end of the construction, or buying turnkey units with the application of housing agreements, all contribute to the provision of affordable housing: both rental and owned. To further this initiative, the CRD is awaiting final approval from the CRD members to borrow \$85 million to continue participating in the provision of affordable housing.

This money, along with money contributed by the participating municipalities will provide seed money for many more projects. The recommendations of this report and the strategic actions will direct the spending of this money to provide the “biggest bang for the CRD buck” to make that money stretch and create as many housing units as possible.

4.2 Publicly Owned Rental Housing

An additional potential solution involves a substantial increase in direct government investment in rental housing, mainly through extensive land acquisition. This approach aims to make sites available to rental housing developers at an affordable cost. While the report explores this approach to some extent, the complexity arises due to the high land prices in the region. Relying solely on purchasing land at market value to accommodate the needed rental housing would require an enormous capital investment.



Metro Vancouver Example

Metro Vancouver estimates an annual need for approximately 6,000 new rental units, encompassing social housing, non-market, affordable, and market rental units. To illustrate, if these rental units were distributed throughout the region, assuming average land values of \$100 per buildable square foot of strata apartment residential space (a likely conservative estimate), the required capital investment in land alone would be around \$450 million per year. This projection, based on an average unit size of 750 ft², implies a land cost estimate of 6,000 units x 750 ft² per unit x \$100 per ft² buildable for land.

Considering construction costs and rental rate structures, this investment might be recouped over the long term. However, it necessitates substantial cash or borrowing to build and maintain this extensive housing portfolio. If construction costs an average of \$450 per ft², an additional \$2 billion per year in construction investment is required, leading to a total annual investment of approximately \$2.5 billion for both land and construction.

The Vancouver example illustrates that seeking the investment to meet the region's rental housing needs poses a financial challenge. If housing prices in Metro Vancouver persistently outpace incomes, substantial government housing investment, akin to models observed in communities like Vienna, may be imperative for a long-term solution. On a smaller scale, Whistler has implemented a localized approach, reserving a subset of housing exclusively for employees and pricing it based on local employment income rather than global demand for resort property. Transferring this concept to the regional scale; however, may hinge on whether the required capital investment is within the government's capacity and willingness. If not, it may be necessary to rely on the private sector and non-profit organizations to continue providing a significant share of new rental housing for the foreseeable future.

Affordable housing, by its very nature, needs to reduce the costs for the residents. This also implies that the reduction of dependence on personal vehicles is a priority to allow people to access services and facilities without the need for a personal vehicle. This leads to the location criteria for affordable housing to be based on walkability to services, employment opportunities, education, and recreation. The next section provides a walkability definition to be used in the location of projects.

To complete a land acquisition strategy, it is critical to understand where the land should be acquired to be the most effective for affordable housing.

5.0 WALKABILITY

One of the critical elements in the development of affordable housing is the location of the housing. Affordable housing implies that the residents may have financial limitations and need to be located close to transit. In addition, in an attempt to create complete communities, proximity to services and facilities reduces the dependence on personal vehicles and driving and reduces greenhouse gas emissions. Therefore, this study has assumed that any site being considered for affordable housing, should be a site that is considered walkable. There is no common definition for walkability for the CRD or the member municipalities in policy or regulatory documents. This section looks at the benefits of walkability, a proposed definition of walkability and examples of walkability maps for the CRD's municipalities.



5.1 Best Practices of Walkability

In urban planning, walkability focuses on making amenities accessible by foot, emphasizing the need for complete and inclusive communities beyond transport corridors designed for maximum vehicle throughput. This approach aligns with recent trends, recognizing the health, economic and environmental advantages. For affordable housing, it is crucial to be within walking distance of transit stops, facilities and services, necessitating not only proximity, but also supportive infrastructure such as footpaths, sidewalks, bike lanes, and traffic management. But what is considered walkable?

This assessment emphasizes location, density, and functional mix, revealing challenges in promoting multi-unit affordable housing in rural areas where infrastructure may be lacking, and density does not offer economies of scale. Walkable environments, with concentrated populations and diverse destinations, reduce reliance on personal vehicles, enhance resident health, lower carbon footprints, and support public transit – aligning with OCPs.

The following are three "best practices" to define walkability and guide the creation of a definition for the CRD:

1. **Walk Score** – this is a realtor-utilized metric that, and while valuable, has limitations. It does not account for sidewalk presence, transit frequency, traffic complexity, local crime rates, or weather conditions. Furthermore, it does not distinguish between amenities, treating a major grocery store and a small convenience store equally. The score ranges from 1 to 100, with 100 indicating an ideal pedestrian environment and 1 indicating heavy reliance on personal vehicles. While trademarked, Walk Score provides:
 - A Walk Score, based on walking routes to destinations such as grocery stores, schools, parks, restaurants, and retail.
 - Pedestrian friendliness metrics include population density, average block length, and intersection density.
 - Transit Score calculates distance to closest stop on each route, analyses route frequency and type.
 - Bike Score based on bike infrastructure, topography, destinations, and road connectivity.
2. **15 Minute City** – The 15-minute city is an urban planning concept in which most daily necessities and services, such as work, shopping, education, healthcare, and leisure can be easily reached by a 15-minute walk or bike ride from any point in the city. This approach aims to reduce car dependency, promote healthy and sustainable living, and improve wellbeing and quality of life for city dwellers. Implementing the 15-minute city concept requires a multi-disciplinary approach, involving transportation planning, urban design, and policymaking, to create well-designed public spaces, pedestrian-friendly streets, and mixed-use development. Recent trends in remote working support this concept. Criticism of this process includes the fact that not everyone walks at the same pace, it does not factor in terrain, and it only reflects very urban living.
3. **400/800-m Distances** – Many jurisdictions use a standard distance calculation. This often focuses on distance to transit but can be applied to other uses and services. Research has demonstrated that most people are willing to walk for 5 to 10 minutes, or approximately ¼- to ½-mile (1,320 feet or 400 m to 2,640 feet or 800 m) to a transit stop. While this may appear to be the simplest practice, it also provides a municipality with a quick and easy assessment. The first step is to map transit routes and identify the frequency of the route. A route that runs infrequently is not considered the same as a route that operates long hours and provides frequent service. And while 800 m may be a reasonable distance for able bodied people, it may be beyond the reach of children or people with physical restrictions to walk.

5.2 Definition of Walkability

Considering the three best practices, this report recommends a definition of walkability to be used in the modelling for the CRD investment in affordable housing and how each municipality should define walkability in their policy documents.

It is noted that municipalities may create specific criteria. The recommendation provided here looks at an industry standard that generally provides accessibility for all. In addition to considering distance, accessibility is also an issue. For example, are there sidewalks or sidewalk cuts (for wheelchair, stroller or scooter access)?

The walkability assessment also recognizes transit routes and the frequency of service. But some more rural areas have less regular service, and it needs to be determined if a bus that runs once every four hours, rather than once every 20 minutes, is truly considered a benefit to walkability.

Diverse land uses and urban densities are major determinants of walkability. This is often not available in smaller, more rural municipalities.

The recommendations for walkability are:

- a. Every municipality amend their OCP to include a walkability definition and policies to support the development of walkable areas. These policies could include:
 - Encouragement for mixed land use and greater development density to shorten distances between homes workplaces, schools, and recreation so people can walk or bike more easily to them.
 - Work with BC Transit to provide frequent transit between high density residential areas to major employment nodes to reduce the dependence upon automobiles.
 - Support the construction of pedestrian and bicycle infrastructure.
 - Ensure affordable housing is available for people of all income levels and family types.
 - Incorporate parks and public spaces in all comprehensive mixed-use developments where people can gather and mingle as part of their daily activities.
 - Utilize ACCs to increase complete communities and improve walkability to increase access, remove barriers, and reduce the need for personal vehicles.
- b. It is recommended that the CRD adopt the following definition of walkability:
 - Land within 400 m of a transit stop that provides service every 30 minutes or faster service.
 - Within 800 m of a minimum of three of the following services: school/educational facilities, medical services, grocery store (not merely a convenience store but a full grocery store), financial institutions, government services building (social services, child welfare services), parks and recreation, day care, religious/places of worship

facilities, employment opportunities, shopping centers, food and beverage services, libraries, and personal services (insurance, beauty salons and barbershops, health and wellness services).

For this report, Saanich was selected to demonstrate the walkability criteria. All municipalities and their walkability maps are illustrated in **Appendix A**. **Figure 2** illustrates how the 400 m criteria is applied to Saanich and what areas would be considered walkable based on this definition. It is noted that the more urban the municipality, the more walkable. For example, the City of Victoria is extremely walkable, while Colwood and View Royal are more rural, and have less walkable areas. It is noted that when a specific site is identified, the walkability map will be updated by the municipality to confirm the site meets the criteria.

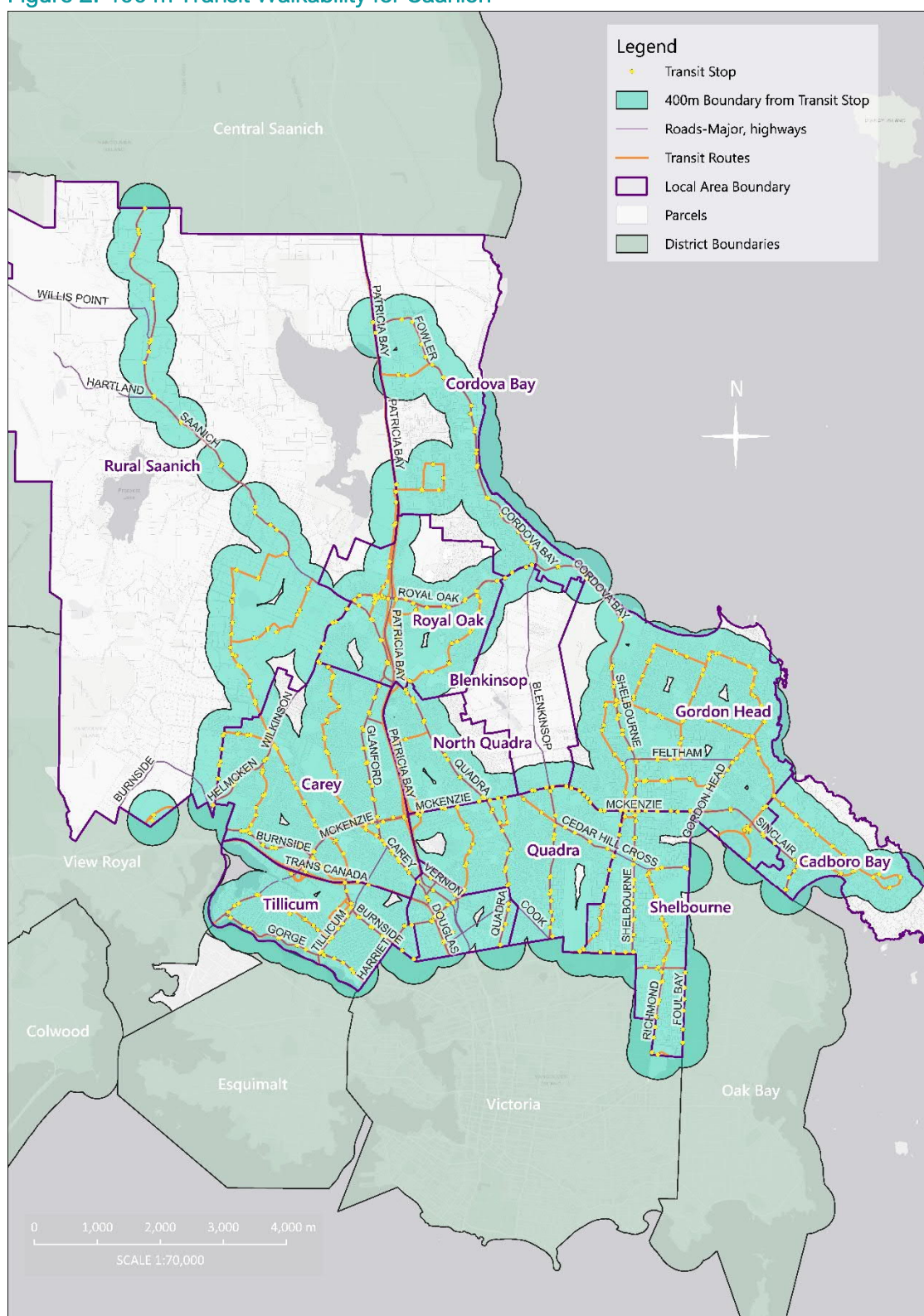
It is also noted that when a specific site is selected, the bus routes and schedules should be reassessed, as BC Transit may have altered routes and timing.

Figures 2 and 3 illustrate how the walkability criteria would apply to Saanich. The figures for all municipalities are provided in **Appendix B**.

Figure 2 illustrates the areas within 400 m of bus routes and bus stops. **Figure 3** illustrates how the walkability definition includes the services and facilities in the criteria. Developing a community definition will allow the CRD to better define existing areas in districts where multi-family development is ideal. This map has defined an area in a district that meets a “whole community” definition: 400m from transit stops, 800m from grocery stores, schools, parks and trails.



Figure 2: 400 m Transit Walkability for Saanich



6.0 LOCAL GOVERNMENT ACQUISITION STRATEGIES

This section provides some examples of other jurisdictions that have implemented government acquisition strategies.

6.1 Local Government Acquisition Strategies

While Canada has lacked systematic support for housing acquisitions, there are several examples at the national level as well as at the local level of municipal acquisition strategies. The examples provided in **Table 2** demonstrate a variety of ways to deliver affordable housing.

Table 2 highlights four well-developed Canadian approaches that hold significant promise for rental housing acquisition. These municipalities have implemented acquisition strategies that include options to build, provide seed money and partner to develop both affordable and market housing. Through local government housing acquisition strategies, the theory is that there will be an overall increased supply of rental units available potentially leading to market adjustment and producing more affordable/reduced rental rates.

Table 2: Local Government Acquisition Strategies across Canada

Jurisdiction	Units	Rents	Funding
Halifax (Community Housing Acquisition Program)	335 units to date, in at least three projects, - Properties with at least five self-contained units (or private rooms in a rooming house), where at least 30% of units have rents at or below average median rent (AMR).	The City of Halifax managed the project. At least 30% of units in a project must be rented below the Average Market Rents, with rental increases limited to the Consumer Price Index or legislated rate, and tenant income must be below the Household Income Limits, except for existing tenants.	The funding type is a loan offering up to \$10 million per project with up to 95% financing (100% for supportive housing), plus an additional 10% for major repairs, a maximum 30-year amortization, and flexible or fixed interest rates. The City of Halifax is primarily an administrator of the program rather than a financial contributor.

Jurisdiction	Units	Rents	Funding
Toronto (Multi-Unit Residential Acquisitions Program - MURA)	50 to 67 units per year, focusing on small apartments and rooming houses with 5-60 units whether vacant or occupied or at risk of being lost due to conversion.	99-year affordability, where no single unit exceeds 100% of AMR, and the overall project average does not exceed 80% of AMR.	Grants of up to \$200,000 per unit for small apartment buildings and \$150,000 for rooming houses, including permit fee and property tax waivers, with at least 20% of annual funding dedicated to acquisitions by Indigenous housing organizations. The City of Toronto has committed over \$1.3 billion in land value, capital funding and financial incentives to the program.
City of Montreal Montréal's Right of First Refusal Program	Right of First Refusal to Purchase Multi-Family Properties: 277 pre-selected sites.	Not program specific.	Grant funding program. Approx. \$10 million a year (for housing).
Vancouver	105 Single Room Accommodation (SRO) properties (2,500 rooms) to purchase and renovate.	Housing Agreements to control rents geared to income.	Total Cost = \$1 billion Contingent on federal and provincial funding.

6.2 Acquisition Program Highlights

The success of many acquisition programs is related to the partnerships between local governments and the non-profit sector. The Halifax, Toronto, and Vancouver examples partnered with the non-profit sector to provide affordable financing to housing providers. Partnerships were made possible through establishing agreements to manage significant financial resources for property acquisitions. Ordinarily, banks are unlikely to approve large financial loans to buy housing in the non-profit sector unless there is local government support structured to de-risk lending by transferring the creditworthiness to the non-profit borrower. Halifax's Program was launched in July 2022 as Canada's first dedicated provincial acquisitions program since the 1990s. According to Woodford (2022), the loan program "helped in getting the Bank of Montréal on board," and enabled the Nova Scotia Housing Trust to acquire a large portfolio of buildings, which would not have been

possible otherwise. The program also provides non-profits with much-needed equity, via a 95-100% loan offered with a low interest rate. (Source: Hart Report 2023)

The challenges associated with the Halifax program is the funding model was to provide loans with no long-term affordability requirements. This made it difficult for operators to sustain affordable rental rates. Housing providers depend on income streams from properties to repay the loans and support daily operations, but if costs mount rents could go up. As such, the program may prove to be ineffective in supporting long term affordable housing without other subsidies. Funding levels of \$10 million-per-project limit, while intended to help catalyze other investment, is unlikely to support large-scale acquisitions.

In contrast, Toronto's MURA Program is rooted in the certainty it provided to the non-profit sector through its pre-approval process, which provided groups with up front predictable funding support. The City's pre-approval process allows them to shop for properties knowing the money is available. A 10% up-front funding transfer allows non-profits to act fast if a promising building comes up for sale (putting down a deposit, conducting a building condition assessment, and so on). The City's commitment to approve projects quickly and transfer full funding within 30 days means that non-profits can move at the speed of the market.

The MURA offers funding via direct grants rather than loans that must be repaid. Grants allow for deeper levels of affordability than loans. In addition, grant funding provides much-needed equity, allowing non-profits to obtain financing from non-state actors. Most banks will only offer a loan on 70-80% of the value of a building without other guarantees in place, and non-profits are not likely to have 20-30% of a building's value in equity on hand.

Toronto's program far exceeds affordability timelines set by other acquisition programs. Long-term Affordability Requirements: which range from 15-60 years in length. The City of Toronto's mechanism for ensuring affordability is quite unique as the City's grant funding is given as a 99-year forgivable loan, in which the outstanding balance is reduced by 1% each year. This provides a lien on the title that secures the 99-year affordability commitment. A downside of this mechanism is that the 'grant' appears as a loan liability on the books of non-profits, which can affect their business operations and ability to access further financing.

The City of Toronto has committed funding to MURA for two years and would like to continue the program but has yet to secure a long-term funding arrangement (City of Toronto, 2021). The main challenge is that annual funding commitments are low so very few affordable buildings can be acquired through this program. More funding is needed to scale up the program.

The City of Montreal's Right of First Refusal is a proactive approach to protecting vulnerable areas. Montréal has pre-selected 'at-risk' sites in the city that should be protected for affordable housing to prevent displacement, curb gentrification, and maintain neighbourhood diversity. This is the only

Canadian program that has a systematic approach to identifying buildings to acquire in advance, rather than buying properties reactively. The program has the potential to prevent the erosion of affordable housing by stopping the sale of affordable buildings and acquiring them for social ownership.

The main challenge with all the examples is the lack of funding. Despite a recent announcement of approximately \$10 million annually for acquisitions (Ville de Montréal, 2021), the main limitation of Montréal's program is the lack of funding to make its aspirations (covering 350+ properties) real. The City has an excellent framework in place to pre-identify affordable housing and protect it from loss, but without substantial resources for acquisitions, properties that come up for sale will not be purchased through the program.

In the City of Vancouver's Downtown Eastside, the Province of BC had previously acquired 24 SRO properties. The program, a public-private partnership, funded renovations and turned the properties over to non-profit societies, with agreements and maintenance funding to manage them as long-term supportive housing for 15 years. In 2020, the City of Vancouver launched the ambitious SRO Purchase Plan (City of Vancouver, 2020), to purchase and renovate all remaining private 105 SRO properties (2,500 rooms). A continuation of a previous SRO revitalization effort (City of Vancouver, 2017), the plan's estimated cost is \$1 billion, contingent on federal and provincial funding.

A major challenge facing BC and Vancouver's programs is the absence of a discrete funding path. Vancouver's Single Room accommodation (SRO) purchase plan depends on \$1 billion from other orders of government that is not confirmed. The City and Province have used equity subsidies, loans, direct state acquisitions, and even expropriation to acquire rental properties on an ad hoc basis. A more systematic approach to property acquisition strategy with guaranteed funding sources would provide more certainty to non-profits seeking to protect affordable housing.

The theme emerging across the four Canadian case studies is that they lack adequate funding at the scale needed to address the affordable housing crisis. These programs tend to focus on small buildings (rooming houses or small apartments) and support very few properties per year. More funding could scale-up and support existing local and provincially designed programs. For example, the Toronto MURA program could be adopted by cities across Canada and supported by federal or provincial funds.

One approach to scale up funding has been put forward by the Federation of Canadian Municipalities (FCM; 2020). FCM recommends funding for two kinds of acquisitions, with large-scale federal investment. First, their deeply affordable supportive housing option would work to house the homeless and other vulnerable populations. For this, FCM recommends a program to provide grants for 100% of the cost of acquisition, estimated at \$170-400,000 per unit, plus \$40-90,000 for renovations per unit. An annual contribution of \$3.5 billion would support an estimated 12,000 deeply affordable units. Second, their moderately-affordable workforce housing option

would support acquisition of currently affordable apartments at risk of becoming unaffordable. In these properties, it is assumed that rent levels would remain the same after acquisition or be gradually reduced over time (and to deeply affordable levels if layered with other funding programs). This type of housing could be supported with a combination of loans (75% of project costs) and grants (25%), with costs of \$150-350,000 per unit for purchase plus \$20-50,000 per unit for repairs. For \$585 million in capital grants, FCM calculated that the federal government could support non-profits in acquiring 10,000 moderately affordable apartment units. (*Hart Report, Daniels and August 2023*)

Successful acquisition strategies establish clear affordability parameters for acquired properties, that both preserve existing affordability and generate deeper affordability over time. The research indicates that North American programs set out key criteria to target properties for acquisition including: (i) rent at 80% of average market rent (AMR), and or are (ii) affordable to households earning 80% of area median income (AMI). These properties may not provide deep affordability at the outset, but they can be acquired and operated initially with minimal (or zero) operating subsidy. Robust programs have accountability mechanisms and outline minimum affordability levels that must be maintained for acquired properties. The City of Toronto's MURA program, for example, requires that no unit exceed 100% of AMR, and that a property's average rents not exceed 80% of AMR. Toronto's program requires this standard to be met over 99 years. Effective programs go further to deepen affordability over time. San Francisco's Small Sites Program includes a tenant succession strategy to ensure that when a unit is vacated it is made available to an incoming resident with a lower income. Greater affordability can also be incentivized through program design, by providing additional operating subsidies or 'bonuses' in the form of higher grant values per unit. California's Project Homekey³, for example, provided greater operational subsidy if lower tiers of government contributed matching capital grants for acquisition. Deeper affordability can be achieved by stacking rental income supports (City of Toronto, 2021).

6.3 Property Acquisition Initiatives

Other municipal programs include the purchase of existing structures to ensure that they remain affordable. The building remains a municipal asset, the project is often managed by a non-profit organization and rent is controlled through tools, such as Housing Agreements or municipal housing policies.

Table 3 addresses some initiatives being undertaken by individual municipalities. It is also important to note other agencies and not for profit organizations that support affordable rental. The Rental Protection Fund, acknowledges that the most affordable housing, is the housing we already have. The Fund provides capital contributions to non-profit housing organizations to help them purchase

³ Source: Acquisitions for Affordable Housing: Creating non-market supply and preserving Affordability. Housing Assessment Resource Tools (HART) Project. Joseph Daniels
Martine August 2023

existing, occupied, purpose-built rental buildings – and retain their affordability and stability over time. This is an applicant-led process funded by the Province of BC through the Ministry of Housing.

Table 3: Property Acquisition Examples

Jurisdiction	Year	Units	Construction Cost/ Investment	Rents	Funding
Chilliwack, BC	2021	80	\$21.8 million (With annual operating subsidy of approximately \$2.4 million)	Supportive	<ul style="list-style-type: none"> BC Housing (Supportive Housing Fund)
Surrey, BC	2021	28	\$8.7 million, annual operating subsidy of about \$840,000	Supportive	<ul style="list-style-type: none"> BC Housing
100 Mile House, BC	2019	33	\$2.9 million	Affordable rental	<ul style="list-style-type: none"> Housing Hub
Kamloops, BC	2022	53	\$10.1 million	Affordable rental	<ul style="list-style-type: none"> BC Housing and Canada Mortgage and Housing Corporation
Edmonton, Alberta (AB; Affordable Housing Investment Plan)	2019-2022	2500	<p>Overall Construction Cost: \$507M (approximate) City of Edmonton's contribution: \$132.7 M</p> <p>Expects contribution from other government orders, equity, and financing from affordable housing providers to fill the gap of \$377 M.</p>	Affordable Housing	<ul style="list-style-type: none"> City Resources: \$132.7 million - 360 secondary Suites: \$7.2 million-75 Surplus School Sites: \$31 million 500 Grants: \$40 million 600 Permanent Supportive Housing: \$29.6 million 200 City-owned Housing Inventory: \$14.4 million 365 Existing Commitment: \$10.5 million

Jurisdiction	Year	Units	Construction Cost/ Investment	Rents	Funding
Calgary, AB	2021-2022	82	\$30 million	Affordable Housing	<ul style="list-style-type: none"> • -Government of Alberta (\$1 million) • -Government of Canada (\$1 million) CMHC through the Phase 2 Rapid Housing Initiative (\$16.6 million); Collaborative Capital Campaign fundraising (\$5.7 million); the City of Calgary (\$5.5M); and CMHC in seed funding (\$200,00).

7.0 PARTNERSHIPS AND FUNDING

One of the hard facts about affordable housing is that in hot real estate markets, the only way to achieve affordable housing is with government intervention. The primary funding sources and potential partners for this initiative originate from various levels of government, with an additional opportunity for collaboration with the private sector.

BC Housing has several programs that could apply, which generally do not include the purchase of the land. Often in affordable housing projects, the land is donated or is excess municipal land or has been purchased by the municipality. The CRD should work with the local municipalities to identify vacant or available municipal land, or lands that will be sold for taxes. These or lands must be located within the urban containment boundary, meet the requirements for walkability be appropriate for higher density housing.

Table 4: Housing Funding Sources

BC Housing	CMHC	BC Ministry of Housing	CRD
<ul style="list-style-type: none"> Community Housing Fund Secondary Suites Incentive Program Affordable Rental Housing Housing Hub 	<ul style="list-style-type: none"> Housing Accelerator Fund National Housing Co-Investment Fund Preservation Fund Affordable Housing Innovation Fund CGAH Retrofit Funding Rental Construction Funding Initiative Seed Funding (anticipated to return in 2025) 	<ul style="list-style-type: none"> Development Application Permit Review Housing Needs Assessments Legislative Changes (Bills 44 46 and 47) 	<ul style="list-style-type: none"> Capital Region Housing Corporation \$85 million borrow

In addition, partnering with private developers to either buy turnkey units, or to participate in the entire project for a percentage of the units to be controlled as affordable by housing agreement.

8.0 MUNICIPAL POLICIES AND BYLAWS

As noted earlier, while this is a CRD initiative, the local municipality controls the land use, development permit, subdivision and building permit process. For this study, a scan was made of each of the 10 municipalities included in the assessment for affordable housing. This review of municipal documents looked at density and parking requirements, supportive policies in the OCP and identified areas for affordable housing in OCPs.

It is recognized that municipalities with rural character and electoral areas are not best suited to higher density multi-unit housing. Lack of piped services, low density development and significant distances between services and residential development, preclude these areas as targets for affordable housing.

Addressing the rental housing crisis requires decisive action, acknowledging the disparity between rental construction and demand, as evidenced by decreasing vacancy rates and increased rents. Local governments, rental housing developers, and the province are actively exploring diverse strategies to foster the development of more affordable units, with the focus on rental units.

This section looks at what is being done and what can be done to expedite the development of housing, and specifically affordable housing.

8.1 Municipal Authority

Municipal powers in BC flow from the *Local Government Act* (LGA) and the Community Charter. Regarding rental housing, these two pieces of legislation enable municipalities to act in a variety of ways to regulate development, make land available, support affordable rental developments, or construct and operate rental housing.

Perhaps the most sweeping authority is created by Section 8 of the Community Charter, which states in Section 8.1 that “*A municipality has the capacity, rights, powers and privileges of natural person of full capacity*” and in Section 8.2 that “*A municipality may provide any services that the council considers necessary or desirable and may do this directly or through another public authority or another person or organization.*”

These sections enable broad scope to fund housing, provide land for housing, own and operate housing, or assist organizations in the development and operation of housing.

As well, Section 24 anticipates that a municipality might dispose of land or improvements for less than market value, guarantee a loan, or partner with another organization, although public notice is

required and Section 25 states that a council “must not provide a grant, benefit, advantage or other form of assistance to a business”.

The Charter also enables municipalities to provide property tax relief under various circumstances. For example, Section 224 authorizes permissive exemptions for property taxes which could exempt land and improvements owned by a non-profit organization, which could be used for affordable housing. Section 226 allows revitalization tax exemptions which could be used to reduce property taxes for up to 10 years for various kinds of development, which could include rental housing even if owned by the private sector (because revitalization tax exemptions are excluded from the general prohibition against providing assistance to a business). These powers allow municipalities to vary requirements to increase the total number of residential units, as well as affordability.

Municipalities can affect affordable housing by strategically enacting a variety of policies, programs, and initiatives across the areas it has jurisdiction. **Appendix C** provides a non-exhaustive inventory of measures that local jurisdictions could initiate, to reduce barriers and increases opportunities for creating affordable housing options.

It is acknowledged that in an effort to create an attractive community, increasing active transportation, and ensuring parks and recreation spaces and facilities for residents, municipal requirements often affect affordability. The more a developer is asked to contribute or provide, the less affordable the housing becomes.



8.2 Zoning, Development Cost Charges, Amenity Cost Charges and Affordable Housing

The LGA, as well as recent Bills 44, 46 and 47, contain direction and provisions that can be used to support affordable rental housing. There are three main ways in which the zoning authority allows local governments to take positive action to facilitate affordable housing:

1. Under Section 479, BC municipalities can enact LUBs to regulate land use and development parameters. Municipal Councils, with discretionary powers, can set conditions during rezoning, requiring public benefits like Amenity Cost Charges, affordable housing (units or funds), and heritage conservation. This rezoning flexibility is commonly used to negotiate affordable housing inclusion in redevelopment, often secured through housing agreements or transfers of ownership.
2. Section 482 enables municipalities to use density bonusing as a way to obtain affordable housing or public amenities. Density bonus bylaws establish a base density that is achievable without providing public benefits and additional density that, at the developer's option, can be achieved if a prescribed affordable housing component (usually secured via a housing agreement) or other amenity contribution is provided.
3. Section 481, adopted in 2018, gives municipalities a new zoning power to "...limit the form of tenure to residential rental tenure within a zone or part of a zone...in which multi-family residential use is permitted". This limit could apply to an entire parcel or to a specified number, portion, or percentage of units in a building.

In addition, the new legislation continues to provide support for housing, including affordable housing.

- Bill 44 – *Housing Statutes (Residential Developments) Amendment Act 2023* – Section 464 states that a local government must not hold a public hearing and proposed zoning amendment if the application conforms to the OCP, if the application is only for residential uses and if residential accounts for at least 50% of the gross floor area. Public hearings are often adversarial, sway political decision making and add to the cost, time and risk of approvals of affordable housing.
- Bill 46 – *Housing Statutes (Development Financing) Amendment Act 2023* – Division 19.1 addresses Amenity Cost Recovery. Section 570.4 states that no ACC are payable "in relation to a development for any class of affordable housing prescribed by regulation." Currently amenity contributions are negotiated between the municipality and the developer and are considered to be one of the contributing factors to unaffordable housing.
- Bill 47 – *Housing Statutes (Transit Oriented Areas) Amendment Act 2023* – Section 481.01 says that an authority cannot prohibit or "restrict any duty or use or a size or dimension of buildings or other structures set out in the regulations in relation to land that is in a transit-oriented area and zoned to permit:
 - a. Any residential use, or
 - b. A prescribed use other residential use."

The LGA also allows municipalities to impose DCCs on new development, to help fund growth-related community-wide infrastructure. With few exceptions, the allowable infrastructure is limited to water, sewer, roads, drainage, and park acquisition. However, the Act does allow municipalities to waive or reduce the DCC for not-for-profit rental housing and for-profit affordable rental housing.

Ultimately, the decisions a municipality makes will reflect the support or opposition of the ratepayers. Increased development, density and affordable housing are often seen as negative additions to a community, with the impression that this will decrease property values. The CRD has no control over the decision of the municipality. BC Housing recognizes the impact of non-market housing in communities and has prepared several Toolkits for non-market housing providers. Community Acceptance of Non-Market Housing was prepared in 2018 to guide non-market housing providers to engage with the community. In addition, BC Housing completed a study demonstrating that non-market housing does not negatively impact adjacent housing and property values.

8.3 Municipal Borrowing

Municipalities can borrow funds for public purposes, including borrowing to construct affordable housing if that is a municipal priority and if the municipality has the borrowing capacity (based on its calculated borrowing limits and its other needs for capital spending).

Most municipalities borrow through the BC Municipal Finance Authority, so they benefit from low borrowing rates because of the strength of the province's credit rating. Tax Increment Financing (TIF) is sometimes suggested as a borrowing mechanism that could be used to fund affordable housing. In TIF, the property tax increases in a defined area (typically an area in which property values are expected to increase due to public infrastructure investment) are dedicated to paying back a loan or a bond issue. This vehicle can be useful if a lender or bond holder wants assurance that a defined portion of municipal tax revenue is allocated to repayment regardless of other municipal financial circumstances. However, it is important to note that TIF is simply one way of securing debt payments. It does not produce tax revenue that would not otherwise exist, so it is not a means of creating "new" money for affordable housing (or any other civic purpose).

8.4 Summary

Based on the Community Charter and the LGA, local governments can:

- Acquire land and make it available for less than market value for affordable housing provided by a non-profit entity. Lease land for 49 to 99 years at a nominal rate.
- Develop housing agreements for quick adaptation to new projects.
- Invest in the creation of affordable rental housing or partner with organizations for the creation of affordable housing.
- Speed up the development process by ensuring that lands for housing for 20 years is clearly delineated in the OCP to avoid public hearings and ACCs being applied.

- Use their zoning powers to achieve affordable rental housing in redevelopment projects that involve rezoning.
- Use their “rental” zoning power to try to make it easier for rental housing developers to obtain sites.
- Reduce or eliminate development fees for rental housing.
- Alter development regulations to reduce construction cost (e.g., reduce parking requirements).
- Increase the pace of project approvals to help increase the pace of new unit construction.



9.0 OPTIONS FOR ACQUISITION

The study has explored several strategic options that are currently under analysis, offering diverse investment opportunities for the CRD. These options include:

- The CRD acquires land in a walkable area and leases it to a not-for-profit housing provider for a 49 to 99-year term for the construction and management of an affordable housing development.
- The CRD purchases land in a walkable area and seeks funding through BC Housing or CMHC to construct affordable housing and either manage the building through the CRD or through a non-profit organization.
- The CRD acquires an existing multi-family building and manages it as perpetual affordable housing.
- The CRD negotiates with private sector developers and purchases units in a new (turnkey) market development within a walkable area.
- The CRD collaborates with private sector developers to acquire land and build a mixed market/affordable housing development.

The critical element here is that the CRD will not be the approving authority on the land since the affordable projects will be located with the urban containment boundary of the jurisdictions of the member municipalities.

Assumptions that have been made include:

- The local municipality will support the development and work to engage the community to proceed with the rezoning of the land unimpeded.
- The local municipality will waive some or all fees and charges to allow the development to be affordable.
- Municipalities could consider waiving securities for landscaping and instead enter into a letter of understanding with the developer and project manager.
- The CRD will establish housing agreements, management contracts and other administrative components to ensure that the housing is operated in an appropriate manner and that affordability is maintained.
- The housing to be constructed is affordable, generally independent living and not supportive and is geared to “workforce” housing rather than transient/vulnerable/at risk of homelessness.
- The housing to be developed under this strategy is for rental housing.

A financial model has been prepared that will analyze the development economics of hypothetical CRD affordable rental apartment developments under several development scenario, varying location, density and financial strategy. The purpose of this model is to determine for each scenario

how much affordable housing may be delivered and how much capital equity would be required from the CRD, ultimately producing an estimate of CRD capital efficiency per scenario.

This analysis uses a standard developer proforma that represents the flow of money through the development project based on revenue and cost assumptions which are described in more detail in **Section 9.1** below.

It is important to note that the Financial Model presented in this report is an example of how the model would work to prepare a pro forma for each individual project identified. The CRD will input the current information for the specific site. The example review completed for this report was based on current municipal LUB regulations and BC Assessment for land prices. The Model will allow the CRD to assess each individual site, in collaboration with the home municipality to determine the actual financial viability of each project.

The model has investigated 60 scenarios that vary in terms of geography, density, and financial strategy. This section defines those parameters.

9.1 Geography

This analysis investigates the economics of affordable housing provision within the CRD's Urban Containment Boundary (UCB), which covers at least part of each of the following municipalities (the Subject Municipalities):

- Central Saanich
- Colwood
- Esquimalt
- Langford
- Oak Bay
- Saanich
- Sidney
- Victoria
- View Royal

The UCB also covers much of Sooke, but market research suggests that market rental rates in Sooke are near or below the affordable level.

9.2 Density

This analysis investigates a number of building heights that provide a wide variety of densities. The research reviewed each municipality's LUB and OCP and has determined the maximum height of multi-unit buildings that could be permitted in each of the nine municipalities. This is represented in **Table 5**.

Table 5: Floor Space Ratio⁴ by Density Scenario⁵

	4-storey	6-storey	12-storey	15-storey	18-storey
Central Saanich	0.6	-	-	-	-
Colwood	1.5	1.6	1.75	1.85	-
Esquimalt	1.5	2.0	3.0	-	-
Langford	1.5	2.0	2.25	2.5	3.0
Oak Bay	1.5	1.6	1.8	1.95	-
Saanich	1.5	2.0	2.25	2.5	3.0
Sidney	1.5	2.0	-	-	-
Victoria	1.5	2.0	2.25	2.5	3.0
View Royal	1.5	-	-	-	-

Table 5 shows that because not all municipalities support all five building heights, there are 30 unique combinations of density and geography investigated in this financial analysis.

9.2.1 Financial Strategy

This analysis investigates two approaches to creating affordable rental apartments:

1. Non-Market Scenarios: in these scenarios, the CRD buys land and either proceeds to construct a multi-unit building on the property, or partners with a non-profit organization to build and ultimately manage the development. All units thus developed are operated as affordable rental housing for the duration of the building's 60-year⁶ lifespan.
2. Private Partner Scenarios: in these scenarios, the CRD buys land and leases the property at a nominal rate to a private developer. In exchange for reduced land costs, the developer includes some affordable rental units alongside its market rental units.

For each scenario, the maximum number of affordable rental units that the developer can afford to provide, while still achieving an acceptable annual IRR⁷ of 5.5%, was calculated. The Consultant assumed that each development achieves its respective maximum number of affordable units. In those few scenarios where the developer can achieve an IRR of

⁴ Floor space ratio is a measure of density equal to a development's gross floor area divided by its land area.

⁵ In Table 5, black items are taken directly from municipal documents such as LUB or OCP, while red items are suggested by the Consultant with the aims of consistency and realism.

⁶ Sixty (60) years is used as the life span of the building, although many leases may extend for 99 years.

⁷ The Internal Rate of Return (IRR) is the interest rate of a hypothetical asset that produces interest at the same pace as the project in question. A measure of project performance. A higher IRR represents faster profit, or greater profit over the same timeframe. IRR is a better measure of project viability than simple profit-to-cost for projects that generate revenue over a long timeframe because the former reflects the time value of money whereas the latter does not.

greater than 5.5%, while providing 100% affordable units, the land lease price paid by the developer is increased to produce an IRR of 5.5% overall.

The Non-Market Scenarios produce a greater number of affordable rental units because all of the units are affordable, but it also imposes a greater capital cost burden on the CRD, which must pay for the entire project. By comparison, the Private Partner Scenarios produces fewer affordable rental units but are much less costly for the CRD, which is only responsible for the initial land purchase.

In the Non-Market Scenarios, the CRD's equity requirement is calculated as follows:

$$\text{Equity requirement} = \text{Project capital costs} - \text{takeout financing}$$

Takeout financing is a mortgage borrowed against the building's ongoing net revenue. In the Non-Market Scenarios, it is the only source of revenue available to offset the CRD's capital costs.

Whereas in the Private Partner Scenarios, the CRD's equity requirement is calculated as follows:

$$\text{Equity requirement} = \text{Land costs} - \text{land lease}$$

The land lease amount is nominal (effectively zero) in some scenarios but significant in others.

Applying each of these two financial strategies to each of the 30 combinations of geography and density presented in **Table 5** above produces 60 scenarios overall.

9.3 Assumptions

This section presents the assumptions regarding the built form, cost, and revenue applied in this financial analysis.

9.3.1 Built Form Assumptions

Each scenario is assumed to take place on a serviced half-acre (21,780 ft²) parcel. Using identical site size assumptions in all scenarios facilitates comparison and interpretation between scenarios.

All buildings are assumed to achieve efficiency of 85%.⁸ As directed by the CRD, the report has assumed the distribution of unit sizes as illustrated in **Table 6**.

⁸ Building efficiency equals a building's rentable space divided by its gross floor area.

Table 6: Target Unit Size Composition

Share of units		Average Unit Size (ft ²) based on BC Housing Averages for Affordable Housing
Studio	5%	350
1-Bedroom	35%	525
2-Bedroom	40%	725
3-Bedroom	20%	925
Average		676

The unit size composition in **Table 6** is a target shared by all scenarios, but in practice these scenarios vary slightly depending on their total building size and distribution of market versus non-market units. **Table 7** combines the assumptions in **Tables 5** and **6**, which produces the following total unit counts.

Table 7: Unit Count by Scenario

	4-storey	6-storey	12-storey	15-storey	18-storey
Central Saanich	16	-	-	-	-
Colwood	41	44	48	51	-
Esquimalt	41	55	82	-	-
Langford	41	55	62	68	82
Oak Bay	41	44	49	53	-
Saanich	41	55	62	68	82
Sidney	41	55	-	-	-
Victoria	41	55	62	68	82
View Royal	41	-	-	-	-

The maximum unit count has been calculated using the following calculation. Should the municipality and CRD wish to increase the number of units, the FSR can be increased beyond 3.0:

- An average site area of 0.5 acre or 2,024 m²
- A gross building site coverage of 3.0 Floor Space Ratio (3 x 21,780 = 65,340 ft²)
- Net rentable area of 85% of the gross building area (85% x 65,340 = 55,539 ft²)
- Average Unit Size of 676 ft² per unit
- Net rentable area / average unit size = 55,539 / 676 = 82 units.

As instructed by the Client, the Consultant assumed that zero parking stalls will be provided for studio, 1-bedroom, and 2-bedroom affordable units, and that one parking stall will be provided for 3-bedroom affordable units to produce an overall parking ratio of 0.2 stalls per affordable unit.

The Consultant assumed that parking stalls for market units will be provided in line with each municipality's LUB. Note that these are blended rates reflecting the target unit size distribution presented in **Table 6**:

- Central Saanich: 1.75 stalls per unit

- Colwood: 1.36 stalls per unit⁹
- Esquimalt: 1.3 stalls per unit¹⁰
- Langford: 1.25 stalls per unit¹¹
- Oak Bay: 2.25 stalls per unit¹²
- Saanich: 1.5 stalls per unit
- Sidney: 1 stall per unit
- Victoria: 0.875 stalls per unit¹³
- View Royal: 1.4 stalls per unit.

It is assumed that any parking required by the municipality will require 100% underground parking in all cases. Note that parking construction is the largest cost that varies due to municipal policy. Surface parking could be provided at a lesser cost but for the purpose of the model, the report has have assumed all required parking would be underground.

9.3.2 Cost Assumptions

A total of 64 example sites throughout the region were reviewed. Each of these sites met the walkability criteria and were a minimum of ½ acre (2,000 m²) deemed appropriate for CRD affordable housing projects. The example sites included a mix of sites that require assembly and sites that do not. Based on this sample, the land price was collected from BC Assessment. For parcels that required assembly, 20% premium was added to the land costs¹⁴, for assembly and related costs:

- Central Saanich: \$2,616,000
- Colwood: \$3,873,000
- Esquimalt: \$3,968,000
- Langford: \$2,578,000
- Oak Bay: \$5,799,000
- Saanich: \$4,106,000
- Sidney: \$6,861,000
- Victoria: \$8,435,000
- View Royal: \$3,181,000.

⁹ Colwood has different parking requirements for different sub-areas. The Consultant assumed the site is located in the “urban centre” area.

¹⁰ Esquimalt has different parking requirements for different zones. The Consultant assumed the site is located in a “medium and high-density apartment zone”.

¹¹ Langford has different parking requirements for different land use designations. The Consultant assumed the site carries the City Centre or Mixed-Use Employment Centre designation.

¹² Oak Bay has different parking requirements for different zones. The Consultant assumed the site is zoned RM-1LD, RM-1MD, RM-1HD, RM-2, RM-3, RM-4, RM-8, or RM-MC1.

¹³ Victoria has different parking requirements for different sub-areas. The Consultant assumed the site is located in the “village centre” area.

¹⁴ Twenty (20) percent premium added to the land cost was used to mirror what the City of Victoria currently uses in their proformas, considered to be industry representative.

Other land costs include BC's property transfer tax¹⁵ and additional closing costs have been averaged at \$50,000 per lot.

The model has also applied the following project cost assumptions for hard costs, soft costs and municipal fees. **Tables 8, 9 and 10** illustrate these costs. It is important to note that these costs may be updated to be tailored to each specific site and project considerations that would be critical in determining the feasibility of an initiative. It is assumed that the CRD will engage qualified consultants, including a quantity surveyor, to inform the model assumptions, as required.

Table 8: Hard Cost Estimates

Hard Costs	
Site Servicing and Geotechnical	\$300,000
Servicing Connections	\$10,000
Utilities During Construction	\$10,000
Building Construction ¹⁶ : <ul style="list-style-type: none"> • 4-storey wood frame • 6-storey wood frame • 12-storey concrete • 15 or 18 concrete storey 	<ul style="list-style-type: none"> • \$340 / ft² • \$350 / ft² • \$380 / ft² • \$380 / ft²
Underground Parking per stall	\$60,000
Furniture/Fixtures/Equipment	\$100,000 to \$180,000
Landscaping/Signage/Lighting	\$50,000
Hard Cost Contingency	10% of all hard cost items

Table 9: Soft Costs Estimates

Soft Costs	
Project Management	2% of total Project Costs
Architectural Fees	1% of building construction costs plus contingency
Engineering Fees	1% of Hard Costs
Other Consultant Fees	1% of Hard Costs
Research and Appraisal	\$20,000
Surveying	\$20,000
Accounting	\$20,000
Legal Costs	\$1,000 per unit
Insurance	0.51% of Hard costs

¹⁵ Property transfer tax is defined here: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax>

¹⁶ Source: Altus Group (2023). 2023 Canadian Cost Guide.

Table 10: Municipal Costs

Municipality	Rezoning	Development Permit Fee	Building Permit Fees	Regional DCCs	Municipal DCCs
Central Saanich	\$4,800	\$3,100	\$6,250 plus 1% of construction costs above \$500,000	\$933 / unit	\$3,944 / unit, minus 30% in Non-Market Scenarios
Colwood	\$4,699	N/A	\$5,238 plus 0.8% of construction costs above \$500,000	\$1,644 / unit	\$7,021 / unit
Esquimalt	\$1,000 + \$600 per unit	\$1,200 plus \$120 per unit	\$5,737 plus 0.9% of construction costs above \$500,000	N/A	N/A
Langford	\$9,888	N/A	\$11,068 plus 0.485% of construction costs from \$1 million to \$15 million, plus 0.245% of construction costs above \$15 million	\$1,644 / unit	\$1,438 plus \$3,635 / unit
Oak Bay	\$7,000	\$6,500	\$5,000 plus 1.3% of construction costs above \$500,000	N/A	N/A
Saanich	\$2,000	\$1,000	\$8,234 plus 1.25% of construction costs above \$500,000	N/A	\$8,134 / unit ¹⁷
Sidney	\$3,400	\$300 plus \$50 per unit	\$5,987 plus 0.9% of construction costs above \$500,000	\$933 / unit	\$650 / unit ¹⁸
Victoria	\$6,000 + \$0.50 per m ² (\$0.046 per ft ²)	\$6,000 plus \$2.50 per m ² (\$0.23 per ft ²) of gross floor area	\$100 plus 1.4% of construction costs	N/A	\$44.77 per m ² (\$4.16 per ft ²) of gross floor area
View Royal	\$2,200	\$1.15 per m ² (\$0.107 per ft ²) of gross floor area	\$6,531 plus 0.9375% of construction costs above \$500,000	\$1,644 / unit	\$6,519 per unit

¹⁷ The consultant assumed that the site is located outside of the Cordova Bay Road DCC area.

¹⁸ DCC rates in Sidney vary considerably by location. The Consultant assumed a rough average.

Other assumptions made include:

- No amenity contributions are required for affordable housing units.
- Municipalities who charge School site acquisition fees, have the ability to waive the fees. For example, Colwood and Langford charge \$600 per unit.
- Rental projects are exempt from GST.
- Advertising and promotion: 2% of the value of market rental units based on an annual capitalization rate of 3.9%¹⁹.
- New home warranty: \$2,000 per unit.
- Post-construction customer service: \$2,000 per unit.
- Corporate overhead: 2% of total project costs.
- Miscellaneous soft costs: 2% of all soft cost items above.
- Soft cost contingency: 10% of all soft cost items above.

9.3.3 Revenue

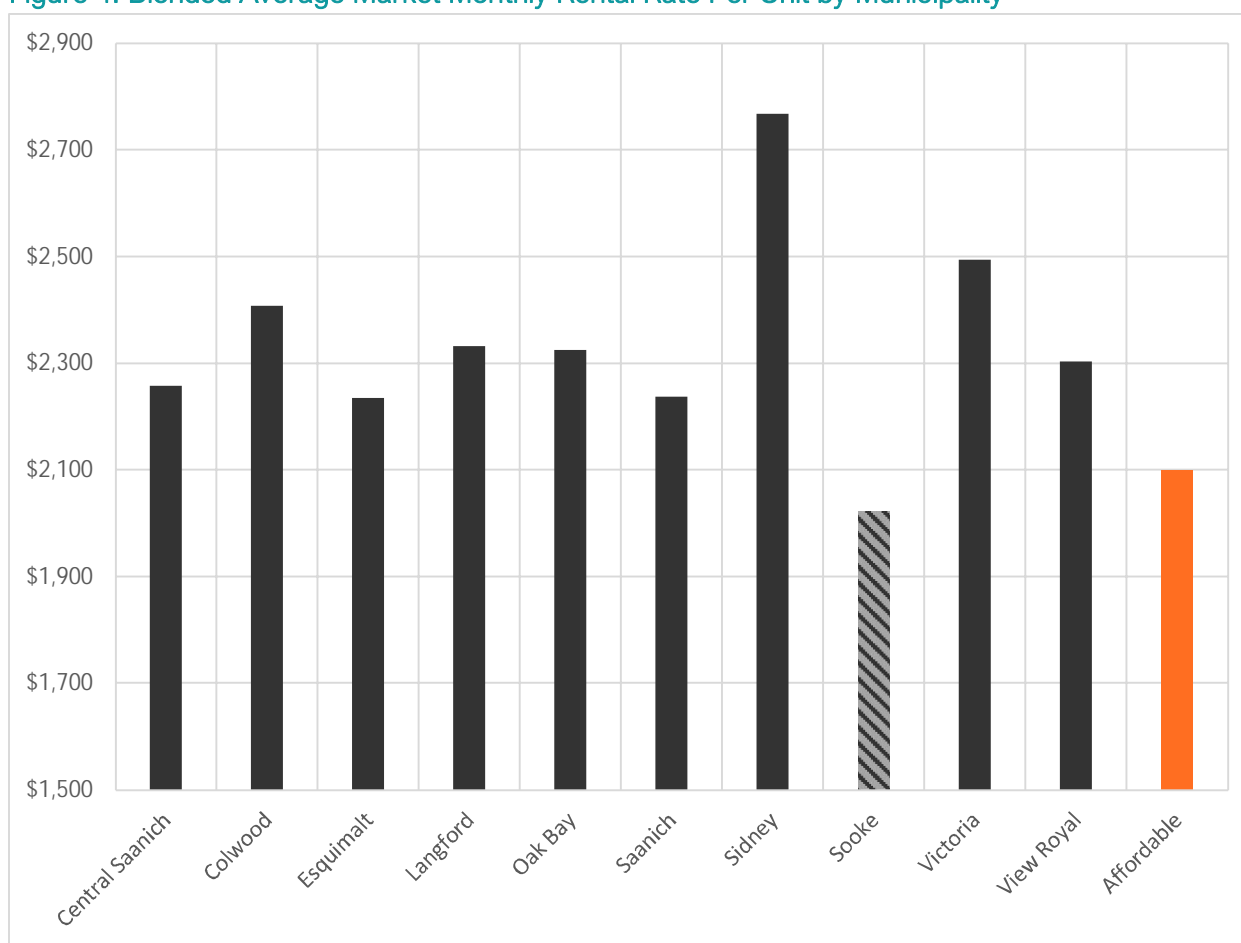
The Consultant has applied the following rental rates in each scenario's first year of operation shown in **Table 11**.

Table 11: Monthly Rental Rate Target Per Unit

	Municipality	Studio	1- bedroom	2- bedroom	3- bedroom	Blended Average
Market Rates	Central Saanich	\$1,400	\$1,895	\$2,378	\$2,858	\$2,258
	Colwood	\$1,530	\$2,074	\$2,559	\$2,914	\$2,408
	Esquimalt	\$1,726	\$2,016	\$2,298	\$2,609	\$2,235
	Langford	\$1,512	\$1,979	\$2,458	\$2,905	\$2,331
	Oak Bay	\$1,540	\$1,990	\$2,443	\$2,858	\$2,324
	Saanich	\$1,568	\$1,985	\$2,327	\$2,664	\$2,238
	Sidney	\$1,918	\$2,462	\$2,893	\$3,265	\$2,767
	Sooke ²⁰	\$1,292	\$1,685	\$2,103	\$2,636	\$2,023
	Victoria	\$1,582	\$2,100	\$2,632	\$3,127	\$2,494
	View Royal	\$1,582	\$2,016	\$2,407	\$2,775	\$2,303
	Affordable Rental Rate	\$1,428	\$1,817	\$2,204	\$2,553	\$2,100

¹⁹ The capitalization rate of a revenue-generating asset is the amount of net revenue it produces in a given time-period (typically one year, as in this case), divided by the sale value of that asset. A lower capitalization rate indicates a higher sales price. Capitalization rates are therefore a measure of investor appetite.

²⁰ Note that Sooke is excluded from this analysis because its market rental rates are affordable. It is included in this section to demonstrate this point.

Figure 4: Blended Average Market Monthly Rental Rate Per Unit by Municipality²¹Table 12: Monthly Rental Rate per ft²

Municipality		Studio	1-Bedroom	2-Bedroom	3-Bedroom	Average
Market Rates	Central Saanich	\$4.00	\$3.61	\$3.28	\$3.09	\$3.34
	Colwood	\$4.37	\$3.95	\$3.53	\$3.15	\$3.56
	Esquimalt	\$4.93	\$3.84	\$3.17	\$2.82	\$3.31
	Langford	\$4.32	\$3.77	\$3.39	\$3.14	\$3.45
	Oak Bay	\$4.40	\$3.79	\$3.37	\$3.09	\$3.44
	Saanich	\$4.48	\$3.78	\$3.21	\$2.88	\$3.31
	Sidney	\$5.48	\$4.69	\$3.99	\$3.53	\$4.09
	Sooke	\$3.69	\$3.21	\$2.90	\$2.85	\$3.00
	Victoria	\$4.52	\$4.00	\$3.63	\$3.38	\$3.69
	View Royal	\$4.52	\$3.84	\$3.32	\$3.00	\$3.41
Affordable Rental Rate		\$4.08	\$3.46	\$3.04	\$2.76	\$3.11

²¹ Note that Sooke is excluded from this analysis because its market rental rates are affordable. It is included in this section to demonstrate this point.

All market rates presented in **Tables 11** and **12**, and **Figure 4** above are derived from market research performed by the Consultant and presented in the Findings Report. These reflect the market rental rates for brand-new apartments of the sizes indicated in **Table 6**.

Note that in practice, unit sizes achieved within each scenario vary slightly depending on their total building size and distribution of market versus non-market units. Consequently, the per-unit rates indicated in **Table 11** are informative targets, but it is the per-square-foot rates in **Table 12** that are applied consistently to all scenarios to account for slight variations in unit size.

Regarding affordable rental rates, the Consultant was instructed to calculate a rental rate that would be affordable to a household with the median annual household income. Affordable rent is defined as 30% of household income. The median household income of each of the Subject Municipalities and their resulting affordable rental rates are presented below in **Table 13**.

Table 13: Median Annual Household Income and Resulting Affordable Monthly Rental Rate by Municipality

Municipality	Median Annual Household Income ²²	Affordable Monthly Rent
Central Saanich	\$103,000	\$2,575
Colwood	\$102,000	\$2,550
Esquimalt	\$76,000	\$1,900
Langford	\$93,000	\$2,325
Oak Bay	\$107,000	\$2,675
Saanich	\$93,000	\$2,325
Sidney	\$77,000	\$1,925
Victoria	\$67,500	\$1,688
View Royal	\$98,000	\$2,450
Capital Regional District	\$84,000	\$2,100

Because the median household income reported in **Table 13** includes both homeowner and renter households, the median income of six out of nine Subject Municipalities is greater than \$90,000 and the rental rate that would be affordable for those municipalities' median income households is equal to or greater than local market rents. If affordable rental rates are above market rental rates, the present exercise becomes meaningless. Therefore, the Consultant concluded that calculating affordable rental rates based on each municipality's median household income is an inadequate methodology.

Instead, the Consultant has applied the regional median household income of \$84,000, which yields an affordable monthly rental rate of \$2,100. This rental rate is lower than the market rental rate in

²² Source: 2021 Census of Canada. Note that Household income is not broken down by housing tenureship. This average combines both owners and renters. And note that the income data are based on 2020 incomes.

any of the nine Subject Municipalities, making it a practical definition of affordable housing for the present analysis. Applying the same definition of affordable housing throughout this analysis also facilitates comparison and interpretation between scenarios.

Applying this income level yields a single affordable rental rate of \$2,100 but this exercise requires four distinct affordable rental rates because the analysis uses four sizes of apartment (namely studio, 1-bedroom, 2-bedroom, and 3-bedroom). Dividing \$2,100 by the average unit size of 676 ft² yields an average affordable rental rate of \$3.11 per ft². This might be an affordable average rental rate, but it cannot effectively be treated as an affordable rental rate for all unit sizes because it exceeds market rental rates for 3-bedroom units (see **Table 13** above).

In practice, market rental rates per square foot decrease as unit size increases so that larger units are more expensive in total but less expensive on a per square foot basis. In order to function properly both within this analysis and in the real world, affordable rental rates must do the same so that they remain below market rates at all unit sizes. To produce a set of rental rates that achieve this, the Consultant has identified the typical market rental rate at each unit size within the UCB and then reduced these rates by a set amount to achieve the target average rental rate of \$3.11 per ft² or \$2,100 per unit that is affordable to the regional median household income of \$84,000. This process is demonstrated in **Figure 5** and **Table 14** below.

Figure 5: Unit Size versus Monthly Rental Rate per ft² Among Recent Rental Listings in the UCB

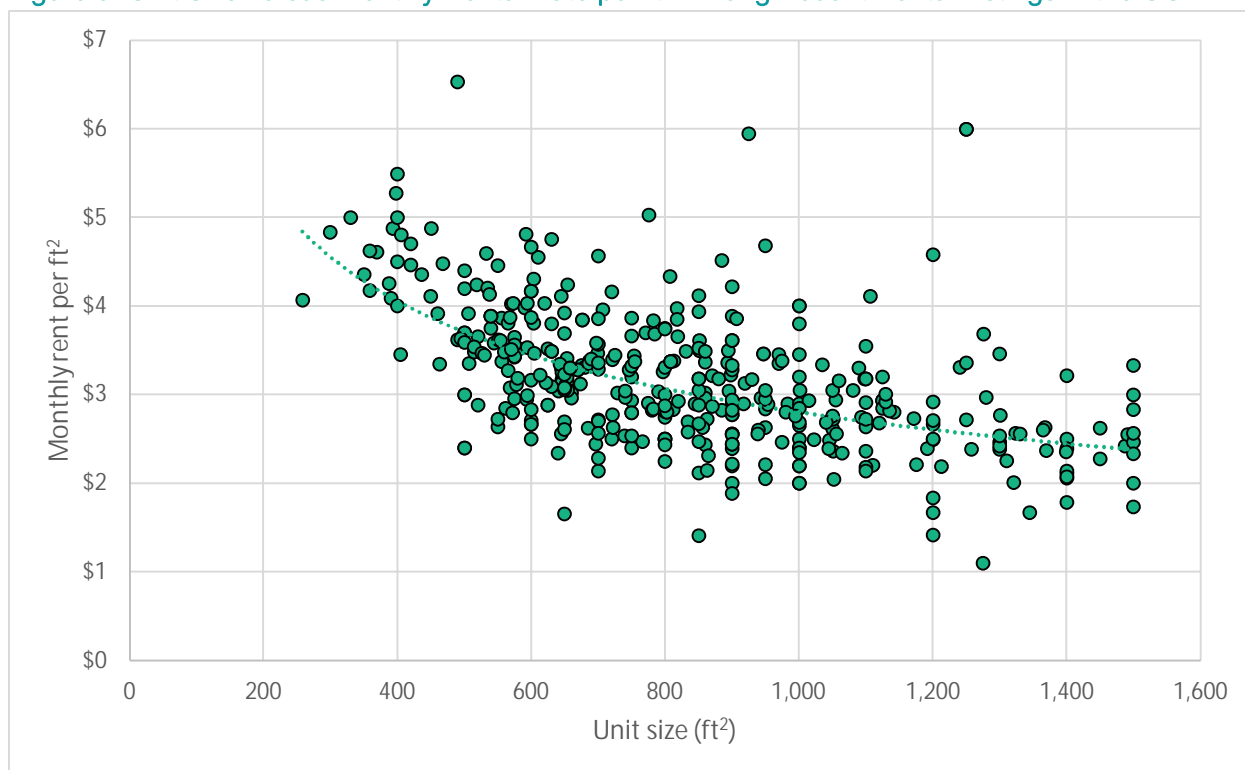


Figure 5 above displays all rental listings within the CRD's Urban Containment Boundary with an identified unit size below 1,500 ft². This data reflects the period during which the Consultant was performing market research for this project, namely September to October of 2023. Note that the market rental level indicated here is generally lower than that suggested in **Table 12** and **Figure 4** because it reflects all rental listings rather than just brand-new units.

Table 14: Observed versus Affordable Monthly Rental Rates

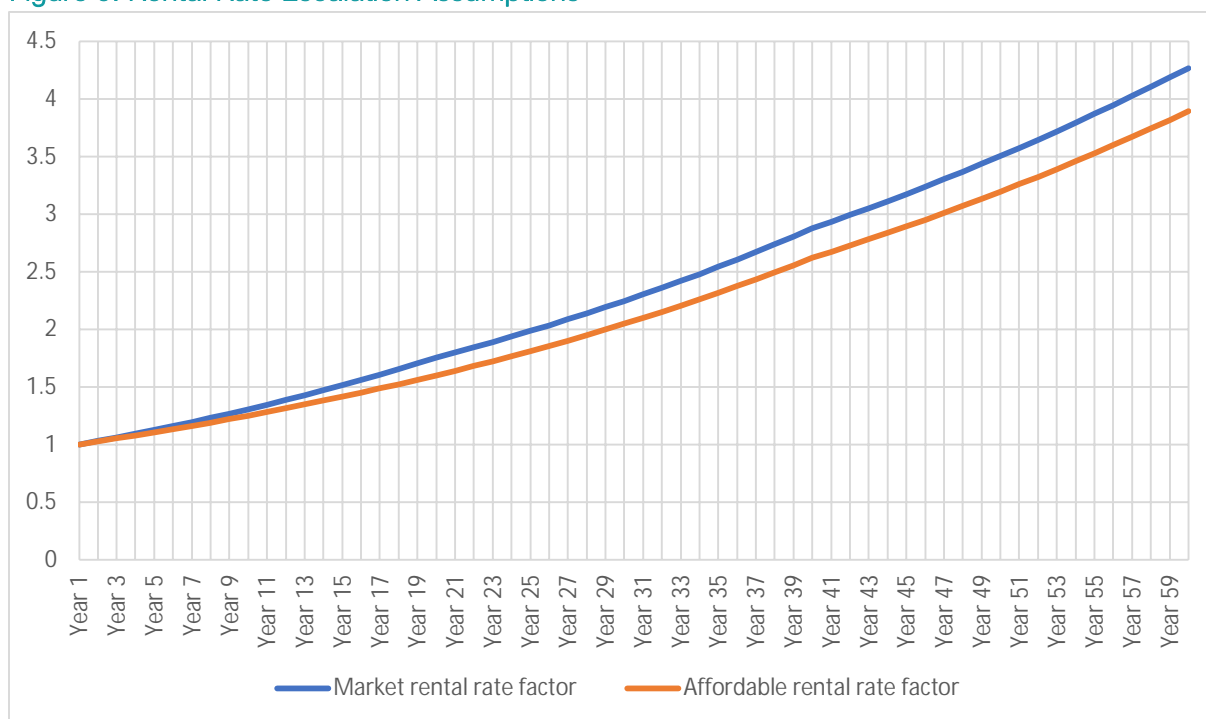
	Observed Market Monthly Rate		Affordable Monthly Rate	
	Per ft ²	Per unit	Per ft ²	Per unit
Studio	\$4.28	\$1,499	\$4.08	\$1,428
1-Bedroom	\$3.64	\$1,909	\$3.46	\$1,819
2-Bedroom	\$3.19	\$2,315	\$3.04	\$2,205
3-Bedroom	\$2.89	\$2,677	\$2.76	\$2,550
Average	\$3.26	\$2,204	\$3.11	\$2,100

The observed market data, shown in **Figure 5** above, is summarized in **Table 14**. It suggests a market rental rate of \$3.26 per ft² or \$2,204 per unit, which may be reduced by 5% to produce the affordable rental rate of \$3.11 per ft² or \$2,100 per unit, which would be affordable to the region's median income household. Therefore, this 5% reduction is applied to each of the observed studio, 1-bedroom, 2-bedroom, and 3-bedroom rates to produce the affordable rental rates used in this analysis, which are indicated in **Table 11**, **Table 12**, **Table 14**, and **Figure 4** above.

To calculate net operating income, the Consultant has applied the following assumptions:

- Vacancy rates:
 - For affordable units: zero vacancy.
 - For market units in the first year of operation: 5%.
 - For market units in the second year of operation: 2%.
 - For market units after the second year of operation: 1%.
- Operating costs:
 - For market units: 30% of gross income.
 - For affordable units: \$534 per unit per month as instructed by the CRD.
- Periodic structural maintenance of \$7.5 per ft² of gross floor area every five years.
- Escalation (see **Figure 6** below):
 - Market rental rates are assumed to increase by 3% per year for the first 20 years of operation, by 2.5% per year for the following 20 years, and afterwards by 2% per year.
 - Affordable rental rates are assumed to increase by 2.5% per year for the first forty years of operation and afterwards by 2% per year.
 - Periodic structural maintenance costs are assumed to increase at the same rate as market rental rates.

Figure 6: Rental Rate Escalation Assumptions



9.3.4 Financing

The only form of cash available to rental development is called “takeout financing”. It is essentially a mortgage against the project’s ongoing net revenue. For a given magnitude of net revenue, the quantity of takeout financing available is determined by three parameters:

1. Interest rate: the amount of interest charged per year as a portion of outstanding debt;
2. Amortization period: the duration of the mortgage; and
3. Debt service ratio: the ratio of net revenue to mortgage burden.

In this analysis, the Consultant applied different assumptions for these parameters to Non-Market and Private Partner Scenarios because public sector affordable housing initiatives are able to access more favourable borrowing terms than private sector developments:

- In Non-Market Scenarios (as instructed by the CRD):
 - Interest rate: 4.27%.
 - Amortization period: 35 years.
 - Debt service ratio: 1.1.
 - **Resulting ratio of takeout financing to one year of net revenue: 16.6.**
- In Private Partner Scenarios:
 - Interest rate: 7%.
 - Amortization period: 25 years.
 - Debt service ratio: 1.25.
 - **Resulting ratio of takeout financing to one year of net revenue: 9.5.**

In summary, because of its more favorable lending parameters, non-profit development in Non-Market Scenarios can access 75% more financing per unit of operating income compared to for-profit development in Private Partner Scenarios.

The quantity of takeout financing available in each scenario is equal to the quantity of construction financing available because the takeout financing is used to retire the construction loan. The Consultant applied the following assumptions to construction financing:

- Planning period: 12 months.
- Construction period: 12 months.
- Interest on equity, which represents opportunity cost:
 - In Non-Market Scenarios: none.
 - In Private Partner Scenarios: 10%.
- Construction financing interest rate:
 - In Non-Market Scenarios, in the first year: 4.6%.
 - In Non-Market Scenarios, in the second year: 3.5%.
 - In Private Partner Scenarios: 7%.

10.0 RESULTS

This section outlines the results of the scenarios and assumptions.

Table 15 shows how each of the Non-Market Scenarios performs to produce a total CRD equity burden: total capital costs minus takeout financing equals the scenario's capital shortfall or equity requirement. With affordable rental rates and parking requirements equal between scenarios, the principal factor driving differences of project performance between municipalities is land price.

Table 15: Non-Market Scenario Capital and Financing Outcomes (\$ million)

		4-storey	6-storey	12-storey	15-storey	18-storey
Total Capital Costs	Central Saanich	\$9.6				
	Colwood	\$20.0	\$21.5	\$24.4	\$26.4	
	Esquimalt	\$19.7	\$25.1	\$37.4		
	Langford	\$18.3	\$23.7	\$28.0	\$32.0	\$37.7
	Oak Bay	\$22.0	\$23.3	\$26.8	\$29.4	
	Saanich	\$20.3	\$25.9	\$30.2	\$34.2	\$40.0
	Sidney	\$23.2	\$28.1			
	Victoria	\$25.4	\$30.8	\$35.1	\$39.1	\$44.8
	View Royal	\$19.2				
Takeout Financing	Central Saanich	\$4.9				
	Colwood	\$12.1	\$12.7	\$13.9	\$14.8	
	Esquimalt	\$12.1	\$16.0	\$24.0		
	Langford	\$12.1	\$16.0	\$18.0	\$20.0	\$24.0
	Oak Bay	\$12.1	\$12.7	\$14.4	\$15.6	
	Saanich	\$12.1	\$16.0	\$18.0	\$20.0	\$24.0
	Sidney	\$12.1	\$16.0			
	Victoria	\$12.1	\$16.0	\$18.0	\$20.0	\$24.0
	View Royal	\$12.1				
CRD Equity Requirement	Central Saanich	\$4.7				
	Colwood	\$8.0	\$8.7	\$10.4	\$11.7	
	Esquimalt	\$7.7	\$9.2	\$13.4		
	Langford	\$6.3	\$7.8	\$10.1	\$12.0	\$13.7
	Oak Bay	\$9.9	\$10.6	\$12.4	\$13.8	
	Saanich	\$8.3	\$9.9	\$12.2	\$14.3	\$16.0
	Sidney	\$11.2	\$12.1			
	Victoria	\$13.3	\$14.9	\$17.2	\$19.2	\$20.8
	View Royal	\$7.1				

Due to the extremely low parking requirements (**Section 9.3.2**) and relatively high affordable rental rates (**Table 14**) assumed for affordable units in these scenarios, the Private Partner Scenarios can

provide 100% affordable housing in all scenarios except in Central Saanich, where rental development is not viable due to its low density.

In fact, the private developers in these scenarios can afford to pay a land lease amount (white panel in **Table 16** below) which is in some cases greater than the land price (certain densities in Esquimalt and Langford, indicated in green below), meaning that the CRD would profit from these developments. If the CRD would prefer not to take profit but rather to break even, they may elect to reduce affordable rental rates in such cases, although this is not modelled here.

Table 16: Private Partner Scenario Capital and Financing Outcomes (\$ million)

		4-storey	6-storey	12-storey	15-storey	18-storey
Land Cost	Central Saanich	Not viable				
	Colwood	\$4.03	\$4.03	\$4.03	\$4.03	
	Esquimalt	\$4.13	\$4.13	\$4.13		
	Langford	\$2.68	\$2.68	\$2.68	\$2.68	\$2.68
	Oak Bay	\$6.06	\$6.06	\$6.06	\$6.06	
	Saanich	\$4.28	\$4.28	\$4.28	\$4.28	\$4.28
	Sidney	\$7.17	\$7.17			
	Victoria	\$8.82	\$8.82	\$8.82	\$8.82	\$8.82
	View Royal	\$3.31				
Land-Lease	Central Saanich	Not viable				
	Colwood	\$2.95	\$2.63	\$1.83	\$1.25	
	Esquimalt	\$3.27	\$3.95	\$4.30		
	Langford	\$3.10	\$3.70	\$2.80	\$2.15	\$2.75
	Oak Bay	\$3.25	\$2.95	\$2.30	\$1.70	
	Saanich	\$2.93	\$3.45	\$2.50	\$1.80	\$2.30
	Sidney	\$2.30	\$3.23			
	Victoria	\$3.06	\$3.65	\$2.75	\$2.05	\$2.60
	View Royal	\$2.96				
CRD Equity Requirement	Central Saanich	Not viable				
	Colwood	\$1.08	\$1.40	\$2.20	\$2.78	
	Esquimalt	\$0.86	\$0.18	-\$0.17		
	Langford	-\$0.42	-\$1.02	-\$0.12	\$0.53	-\$0.07
	Oak Bay	\$2.81	\$3.11	\$3.76	\$4.36	
	Saanich	\$1.35	\$0.83	\$1.78	\$2.48	\$1.98
	Sidney	\$3.94	\$2.82			
	Victoria	\$5.76	\$5.17	\$6.07	\$6.77	\$6.22
	View Royal	\$0.35				

Table 16 shows how each of the Private Partner Scenarios performs to produce a total CRD equity burden: the cost of land minus whatever land lease the developer can afford equals the scenario's

capital shortfall or equity requirement. It is important to consider market and non-market buildings. The market units will help support the non-market units and as the building ages, there is the ability to increase the number of affordable units.

The CRD Equity rows in **Tables 15** and **16** may be directly compared as they each represent the net cost to the CRD of implementing these scenarios.

Dividing the equity requirements identified in **Tables 15** and **16** by the unit counts indicated in **Table 7** produces an estimate of equity requirement per affordable unit created. This is a general metric of scenario performance and may be used to inform CRD strategy, as shown in **Table 17**.

Table 17: CRD Equity Requirement per Affordable Rental Unit

		4-storey	6-storey	12-storey	15-storey	18-storey
Non-Market Scenarios	Central Saanich	\$292,000				
	Colwood	\$195,000	\$199,000	\$218,000	\$229,000	
	Esquimalt	\$188,000	\$167,000	\$164,000		
	Langford	\$153,000	\$141,000	\$162,000	\$177,000	\$167,000
	Oak Bay	\$241,000	\$242,000	\$253,000	\$261,000	
	Saanich	\$202,000	\$180,000	\$197,000	\$210,000	\$195,000
	Sidney	\$273,000	\$220,000			
	Victoria	\$324,000	\$270,000	\$277,000	\$282,000	\$254,000
	View Royal	\$174,000				
Private Partner Scenarios	Central Saanich	n/a				
	Colwood	\$26,000	\$32,000	\$46,000	\$55,000	
	Esquimalt	\$21,000	\$3,500	-\$2,000		
	Langford	-\$10,000	-\$18,000	-\$2,000	\$8,000	-\$1,000
	Oak Bay	\$68,000	\$71,000	\$77,000	\$82,000	
	Saanich	\$33,000	\$15,000	\$29,000	\$36,000	\$24,000
	Sidney	\$96,000	\$51,000			
	Victoria	\$141,000	\$94,000	\$98,000	\$100,000	\$76,000
	View Royal	\$8,500				

CRD equity requirement per affordable rental units (**Table 17**) indicates the CRD's capital shortfall per unit in each scenario. This represents the CRD cost, minus available funds per unit in each scenario. This is derived differently in the Non-Market and Private Partner Scenarios:

- Non-Market Scenario – the CRD simply pays for the project, and the only source of upfront cash is take-out financing (basically a mortgage). So CRD equity shortfall equals capital costs minus the take-out financing. These items are illustrated in **Table 15**.

- Private Partner Scenario – the CRD buys the land and then leases it to a for-profit developer. The calculation of what a private developer can afford is factored in. The CRD equity shortfall equals the land cost minus the lease. These items are shown in detail on **Table 16**. Note that this is sometimes a negative number, which means that the CRD is in a positive cash situation due to the very low parking requirement anticipated.

By comparing the capital shortfall per unit by scenario, we gain a sense of where and how the CRD's money might go further.

Figure 7: CRD Equity Requirement per Affordable Rental Unit in Non-Market Scenarios

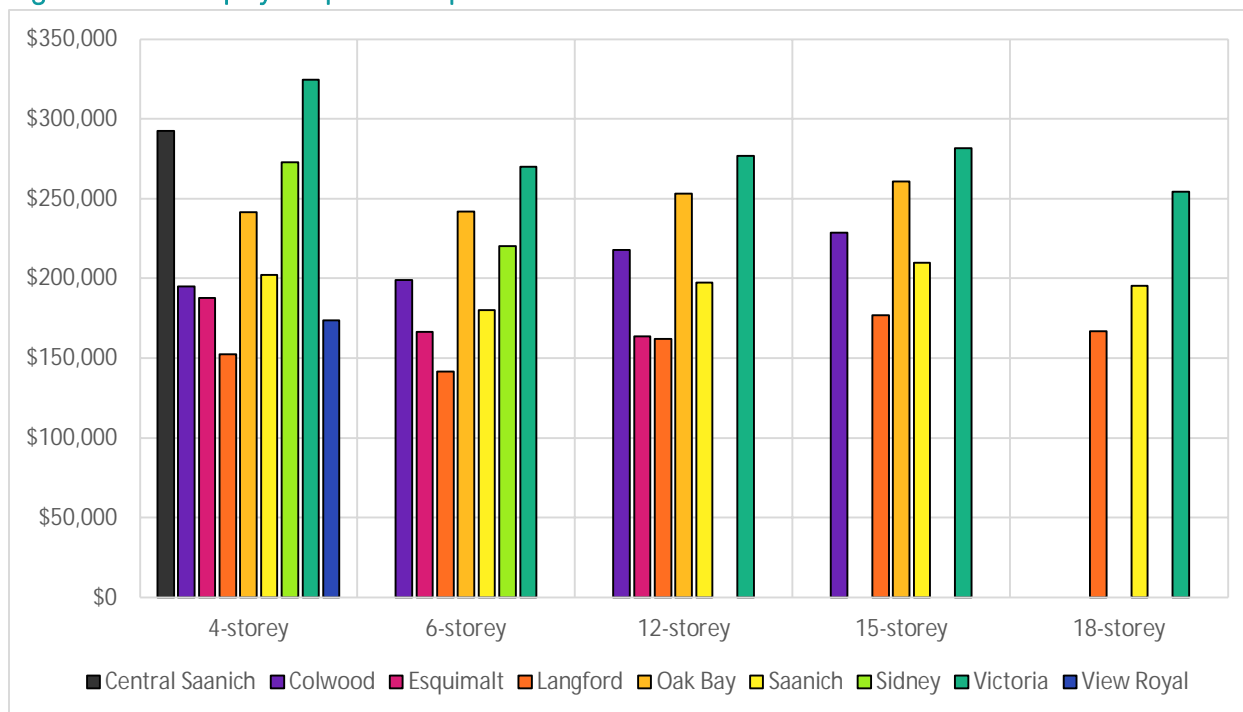
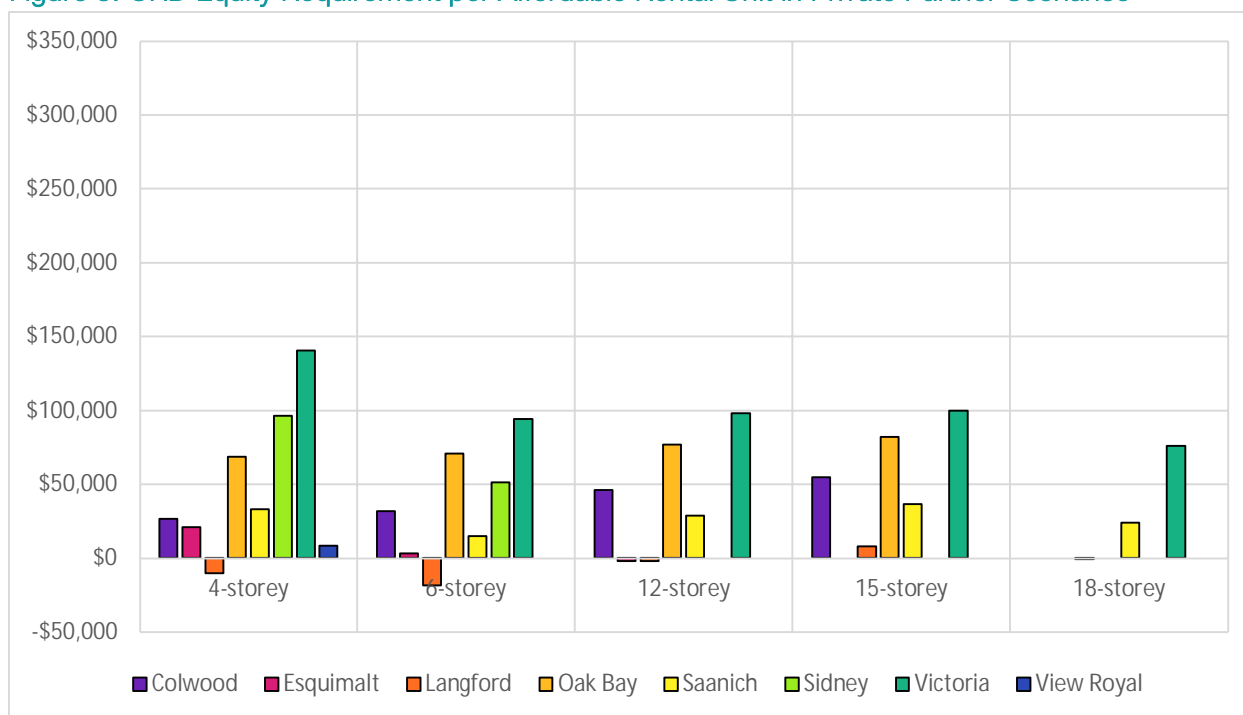


Figure 8: CRD Equity Requirement per Affordable Rental Unit in Private Partner Scenarios²³

In general, in a given municipality and at a given density, the Private Partner Scenario performs better than the Non-Market Scenario. This is because private developers may be satisfied taking many years to recoup their investment, while the CRD is a public entity and views gradual cost recovery as a capital shortfall. Moreover, in some Private Partner Scenarios in Esquimalt and Langford, the supportable land lease that the developer can afford is greater than the price paid for the land by the CRD, meaning that CRD profit is possible.

Non-Market Scenarios tend to achieve equity efficiency in the range of \$150,000 - \$300,000 per unit. The most efficient municipality is generally Langford while the least efficient municipality is generally Victoria. Differences between municipalities are mostly the result of land costs.

Whereas Private Partner Scenarios tend to achieve equity efficiency in the range of zero to \$100,000 per unit, with the exception of \$141,000 per unit at 4 storeys in Victoria. Note again that the CRD equity cost per unit is negative in some scenarios in Esquimalt and Langford because the supportable land lease exceeds land costs. If the CRD would prefer not to take profit but rather to break even, they may elect to reduce affordable rental rates in such cases, although this is not modelled here.

²³ Values for Colwood at 15 storeys (\$3.9 million) and Saanich at 6 storeys (\$1.4 million) are excluded from **Figure 5** because they are so large. These values are so large because these scenarios support so few affordable rental units (one and three, respectively).

According to this analysis, the most efficient approach to creating affordable housing in the Subject Municipalities today would be to use the Private Partner Strategy to build 6-storey wood frame affordable apartment buildings in Langford, which should earn the CRD profit of about \$18,000 per unit. Six (6)-storey wood frame buildings in Langford are also the most economical approach if the CRD chooses to focus on the Non-Market Strategy, in which case the cost to the CRD would be \$141,000 per unit.

Table 18 identifies the most economical approach in each municipality and its achieved efficiency:

Table 18: Optimal Scenario by Municipality

Optimal Scenario		Equity Requirement per Affordable Unit
Central Saanich	4-storey with Non-Market Strategy	\$292,000
Colwood	4-storey with Private Partner Strategy	\$26,000
Esquimalt	12-storey with Private Partner Strategy	-\$2,000
Langford	6-storey with Private Partner Strategy	-\$18,000
Oak Bay	4-storey with Private Partner Strategy	\$68,000
Saanich	6-storey with Private Partner Strategy	\$15,000
Sidney	6-storey with Private Partner Strategy	\$51,000
Victoria	18-storey with Private Partner Strategy	\$76,000
View Royal	4-storey with Private Partner Strategy	\$8,500

In summary, the Subject Municipalities fall into five categories:

1. In Central Saanich, the most efficient approach is 4-storey wood frame apartments with a Non-Market Strategy because rental housing is not economically viable due to low density.
2. In Victoria, the most efficient approach is a Private Partner Strategy with as much density as possible due to its high land costs.
3. In Esquimalt, the most efficient approach is a 12-storey concrete with a Private Partner strategy.
4. In Langford, Saanich, and Sidney, the most efficient approach is 6-storey wood frame apartments with a Private Partner strategy.
5. In Colwood, Oak Bay, and View Royal, the most efficient approach is 4-storey wood frame apartments with a Private Partner strategy.

These results suggest that in certain locations, it may be possible for the CRD to produce affordable housing very cheaply. This surprising and possibly counter-intuitive result depends on two remarkable assumptions:

1. Affordable rents are here defined as affordable for the region's median income household, including homeowner households. This yields an average rental rate of \$2,100 per month, which is somewhat more affordable than market rents outside of Sooke, but not extremely affordable in absolute terms.

2. The CRD direction to the Consultant was to assume that zero parking stalls will be provided for studio, 1-bedroom, and 2-bedroom affordable units, and that one parking stall will be provided for 3-bedroom affordable units to produce an overall average parking ratio of 0.2 stalls per affordable unit.

The Consultant assumed that parking stalls for market units will be provided in line with each municipality's LUBs and will be inserted into the proforma model at the time of consideration of a specific site and unit ratios. Note that these are blended rates reflecting the target unit size distribution presented in **Table 6**:

- Central Saanich: 1.75 stalls per unit.
- Colwood: 1.36 stalls per unit²⁴.
- Esquimalt: 1.3 stalls per unit²⁵.
- Langford: 1.25 stalls per unit²⁶.
- Oak Bay: 2.25 stalls per unit²⁷.
- Saanich: 1.5 stalls per unit.
- Sidney: 1 stall per unit.
- Victoria: 0.875 stalls per unit²⁸.
- View Royal: 1.4 stalls per unit.

It is assumed that the municipality will require 100% underground parking in all cases. Note that parking construction is the largest cost that varies due to municipal policy.

The Operators Manual, prepared in support of the Housing Acquisition Strategy, provides the details of how to run the proformas for each individual project.

²⁴ Colwood has different parking requirements for different sub-areas. The Consultant assumed the site is located in the "urban centre" area.

²⁵ Esquimalt has different parking requirements for different zones. The Consultant assumed the site is located in a "medium and high-density apartment zone".

²⁶ Langford has different parking requirements for different land use designations. The Consultant assumed the site carries the City Centre or Mixed-Use Employment Centre designation.

²⁷ Oak Bay has different parking requirements for different zones. The Consultant assumed the site is zoned RM-1LD, RM-1MD, RM-1HD, RM-2, RM-3, RM-4, RM-8 or RM-MC1.

²⁸ Victoria has different parking requirements for different sub-areas. The Consultant assumed the site is located in the "village centre" area.

11.0 PURCHASE OF BUILDINGS OR UNITS

Alternative options are available to the CRD for the acquisition of residential units for affordable housing from what has been previously explored in this report. This section looks at two options: purchase an entire existing residential building; and purchase units in a market building. It is noted that all options here, either buy a building or buy units, would still be required to meet the walkability criteria for affordable housing.

11.1 Purchase Existing Residential Buildings

This option would be for the CRD to purchase of an existing multi unit residential building. The benefits to purchasing an existing building include:

- There are more sources of provincial and federal funding for the purchase of an existing building than raw land.
- The land is already serviced.
- DCCs and CACs would not apply (even though they could be waived by the Municipality).
- The building has been approved under the LUB and the density has been accepted by the community.
- Purchase of a building is a good use of CRD staff time and capacity, rather than overseeing the assembly of land and the design and construction of a building.

The Consultant looked at several buildings currently for sale in the Region. The building's age could range from the 1970s to the 2010s. Three examples are provided here, and the full assessment of existing residential buildings for sale or those that had recently been sold as of November 1, 2023, is included in **Appendix D**.

When assessing an existing residential building, a renovation fee per unit has been applied. Based on the Federation of Canadian Municipalities research for housing grants, renovations per unit can range between \$40,000 and \$90,000 per unit based on age and previous renovations. The three examples show a range of age and renovation cost estimates.

- Langford (Goldstream) – This 5-storey building with 166 units was constructed in 2019. The assessed value of the building was \$54.7 million. It meets the walkability criteria. Considering the age of the building, the cost of renovation has been estimated at \$40,000 per unit (\$6,640,000) for a total move in cost of \$61,340,000 or \$370,000 per unit.
- Central Saanich (Brentwood Bay) – This 6-storey building has 92 units and was constructed in 1992. The assessed value of the building was \$25,111,000. This development is near the Brentwood commercial area and meets the walkability criteria. This building has 92 units.

Based on the age of this building, a renovation costs per unit of \$55,000 has been used (\$5,060,000) or a total move in cost of \$30,171,000 or \$328,000 per unit.

- City of Victoria (Yates Street) - This 4-storey building with 77 units was constructed in 1966. The assessed value of the building was \$20,362,000 million. It meets the walkability criteria. Considering the age of the building, the cost of renovation has been estimated at \$90,000 per unit (\$6,930,000) for a total move in cost of \$27,292,000 or \$354,500 per unit.

The recommendation is to consider buildings with 16 or more units, to use funds efficiently and make management of the units cost effective.

There are a number of potential challenges including:

- The existing building was developed at previous lower density regulations. And while this demonstrates zoning and community support, the density may be far less than what could be achieved under current zoning and policies; thereby, losing potential residential units if the site were to be redeveloped. For example, a building may have 16 units and if developed under current regulations, could potentially create 60 units. This reflects a loss in overall housing units.
- The building might not meet current building codes. This could be particularly related to heat, HVAC, access and building materials. Accessibility could require installation or upgrade of elevator, widening of doorways, or inclusion of ramps and provision of storage for scooters.
- The building may require renovations and upgrades. Depending on the age of the building and the dates of the last renovations, the units may require some upgrades to meet current building code standards.
- Buildings that are currently occupied that may require major renovations, will have to plan to relocate tenants during the renovations. The tenants may be guaranteed a unit in the building and new rents may need to be re-established.

11.2 Purchase of Turnkey Units

This option is to purchase units in market buildings to then be managed by the CRD as affordable housing units.

The benefits to purchasing “turnkey” units include:

- Less capacity and fewer resources from the CRD.
- Certainty of approval and use.
- As with the purchase of an entire building, the option for purchasing “turnkey”²⁹ units in market buildings allows the CRD to avoid any land assembly, zoning issues, purchase of land and construction delays.

²⁹ Turnkey refers to something that is ready for immediate use, in this case, an apartment that has been built by a third party and ready for immediate use of the CRD and potential tenants.

- Purchase of the units would be negotiated with builder/developer pre-completion and developer may receive some reductions in DCCs and AACs, along with waiving of fees to match the percentage of affordable units.
- As with the purchase of a whole building, there are some potential challenges:
 - Developers may not be amenable to having “affordable” units in their market buildings.
 - If the building is a strata building, the strata fee would have to be subsidized by the CRD for ongoing operational costs.

11.3 Financial Viability

Based on the financial assessment completed for this report, purchase of a building or of turnkey units should consider all costs associated with the purchase, and the operationalization (which may include renovations or upgrades). From the examples above in Section 11.1, paying more than \$400,000 for a unit reduces the financial viability for affordability.



12.0 DATA GAPS AND CHALLENGES

12.1 Data Gaps

This report used 2021 Federal Census data for incomes. The 2021 Federal Census income stats are based on 2020 income. The incomes were not factored up to reflect cost of living increases. The direction from the CRD was that salaries had not kept pace with the cost of living and as such would not be representative when calculating median incomes or affordable rents. This must be considered at the time a project is selected and individual tenants will be required to prove income to become tenants in future developments.

12.2 Challenges

Freeing up public lands is a process that requires a considerable amount of time. Both the Provincial and Federal governments have recently pledged over \$22 million in grants and financing for the next decade. However, it is crucial to note that the allocation of this funding is contingent on establishing partnerships with local governments or other funders to facilitate the development initiatives. In this collaborative approach, non-profit organizations are expected to play a pivotal role by contributing land and/or making substantial equity contributions.



Moreover, projects seeking funding must demonstrate financial viability and provide evidence of approval, emphasizing the importance of meeting specific criteria within a short timeline to secure the necessary financial support.

This dual-layered framework underscores the complexity and interconnectedness of the funding process, emphasizing the need for cooperation and shared responsibilities among various stakeholders involved in freeing up public lands for developmental purposes.

These expectations continue to place considerable pressure on local governments to support non-profit housing development in their communities, and to become active beyond their traditional land use planning and development approval's role in the provision of affordable housing. Another challenge that has been noted in this report is that the CRD does not control the zoning or development approvals for affordable housing. The CRD must work with the individual municipalities to identify a property that can be rezoned for the appropriate density to accommodate a financially viable development. Public opposition may be a challenge to the approval of these developments.

13.0 STRATEGY AND RECOMMENDATIONS

The CRD and member municipalities have prepared housing needs assessments and housing action plans. Generally, these documents recognize the inherent connection between housing and access to public transportation, proximity to services and facilities and the complicated relationship between housing and mental health.

In response to the regional growth pressures and housing affordability issues, the primary focus of Municipal OCPs are to encourage complete communities. Strategies are needed to preserve existing rental housing stock and support existing tenants. The Acquisition study emphasizes locating market rental and non-market rental housing near transit and leveraging transit-oriented development opportunities. The provision of affordable housing is also related to the costs and timing for approvals of projects and removing or reducing any barriers to quick approvals will assist in the delivery of more housing units, of which affordability can be a component.

The Housing Acquisition Strategy for the CRD should be multi-focused and flexible and be able to respond to opportunities quickly. It is recognized that:

- There is a housing crisis and many people cannot afford appropriate housing for their household;
- This report has focused on rental units only;
- Affordable housing takes many forms including near market, supportive and temporary;
- Housing the vulnerable populations is not just a bricks and mortar issue but it includes deeper mental health and social impediments;
- The prospect of combining non-market and market units in a single building enhances the financial viability of the project; and
- This strategy primarily focuses on the near market rental units.

This report explores a variety of strategies for increasing the availability of land for new affordable rental supply:

1. Utilizing lands already owned by non-profits, local governments, and senior governments for affordable housing, and exploring innovative methods to expand this land inventory.
2. Using the OCP to identify lands for housing, thereby not requiring public hearings for rezoning.
3. Pre-zoning lands for housing to reduce the costs and time to process applications.
4. Using the rezoning process and associated tools to allow for density bonusing, relaxation of DCCs and ACCs.
5. Using the local jurisdiction authority to waive fees for affordable housing projects.

6. Establishing inclusionary requirements for affordable housing units in new multi-family residential development projects.

Based on our findings and research the following initiatives cited as being instrumental to incentivizing affordable housing:

- These results suggest that in certain locations, it may be possible for the CRD to produce affordable housing very cheaply. This surprising and possibly counter-intuitive result depends on two remarkable assumptions:
 - Affordable rents are defined here as affordable for the region's median income household, including homeowner households. This yields an average rental rate of \$2,100 per month, which is somewhat more affordable than market rents outside of Sooke, but not extremely affordable in absolute terms.
 - Parking provision of only 0.2 stalls per affordable unit (zero per studio, 1-bedroom, and 2-bedroom units and one stall per 3-bedroom unit).
- Leverage Federal/Provincial surplus or under-utilized public properties in frequent transit locations for rental housing for very low to moderate income households, where appropriate, to achieve long-term housing, transit, and financial objectives.
- Reduction or removal of parking requirements, particularly underground parking, is critical for the affordability of housing. With the cost of a single underground parking stall of \$50 to \$70,000, it becomes clear that parking reduces the affordability significantly. This is why the locational criteria of a walkable site, is so important for affordable housing.
- Complimentary to reduced parking is the need for improved and enhanced transit to service the area and improve the walkability and reduce the dependence on personal vehicles.
- Establish transit-oriented inclusionary housing targets for purpose built rental and for housing affordable to very low to low-income households within 800m of new or existing transit stations and 400m of frequent bus corridors that are anticipated to accommodate enhanced residential growth.
- Provide incentives for new purpose-built rental housing and mixed income housing located in transit-oriented locations to enable these developments to achieve financial viability, as warranted.
- Offer incentives and use tools that will help make development of new purpose-built market rental housing financially viable (i.e., parking reductions, fee waivers, increased density, and fast-tracking), as needed.

The financial model will consider a number of criteria that will for the proforma for each individual site. The information will be added to the worksheet and the outcome will provide a proforma identifying the financial viability of the project.

The criteria to be considered are shown in **Table 19**.

Table 19: Input Data for Financial Model

Land Costs	Architect fees	Operating Costs
Land Financing	Engineering Fees	Periodic Improvements
Construction Costs	Site Servicing	Structural Reserve Fund
Construction Financing	Site Connections	Tenant Improvements
Property Tax Transfer	DCCs and ACCs	Hard Cost Contingency
Other Closing Costs	Landscaping, Signage and Lighting	Furniture, Fixtures and Equipment
Real Estate fees	Project Management	Survey
Property Taxes	Other Consultants	Accounting
GST	School Site Acquisition Charge	Legal
Rezoning Fee	Research and Appraisal	Insurance
Development Permit Application Fee	Building Permit and Inspection Fees	Utilities






Appendix A

Walkability Maps

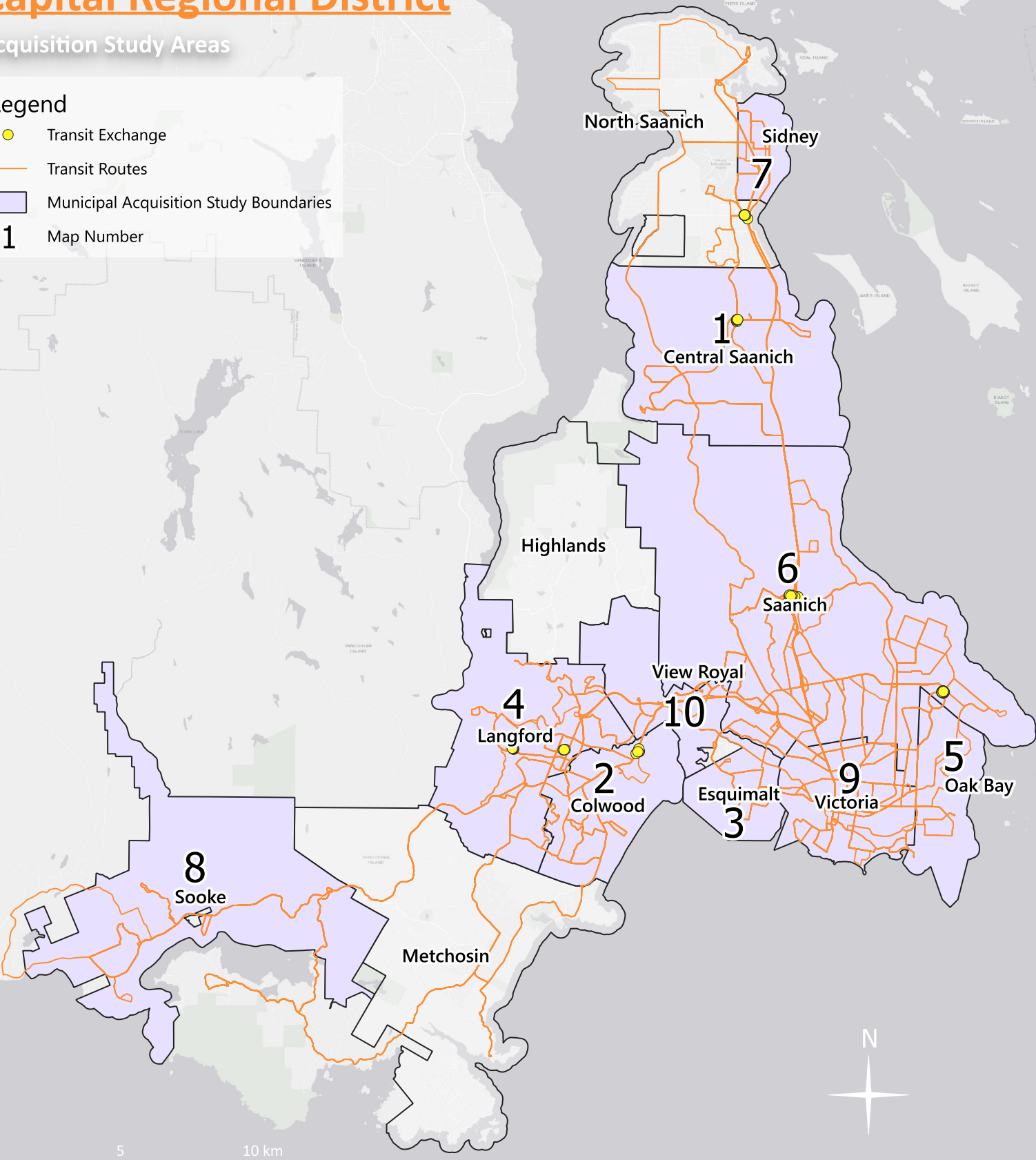
Capital Regional District

Acquisition Study Areas

Legend

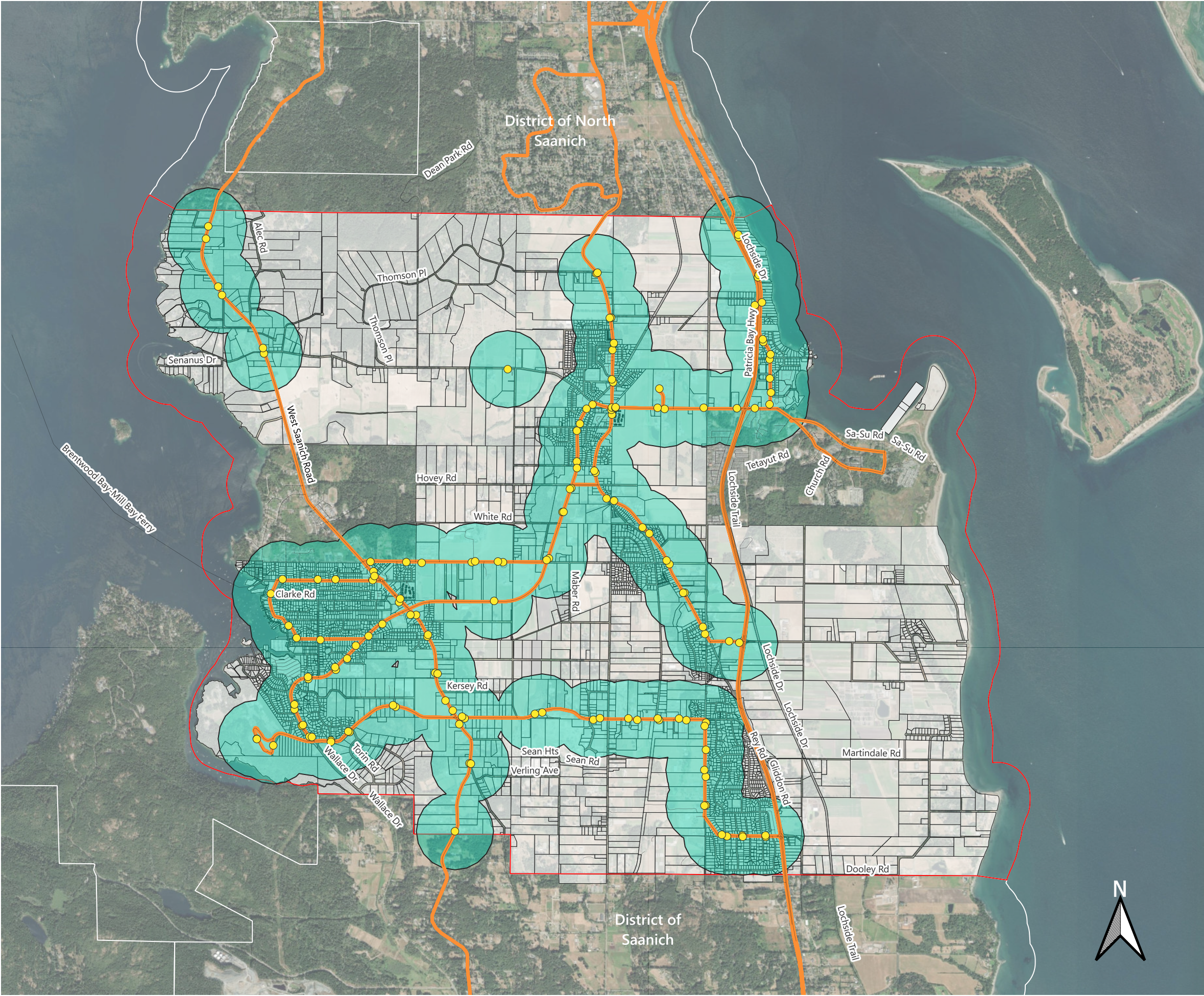
-  Transit Exchange
-  Transit Routes
-  Municipal Acquisition Study Boundaries

1 Map Number



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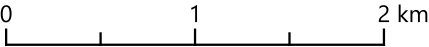
District of Central Saanich

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Central Saanich Parcels
- Central Saanich Administrative Boundary

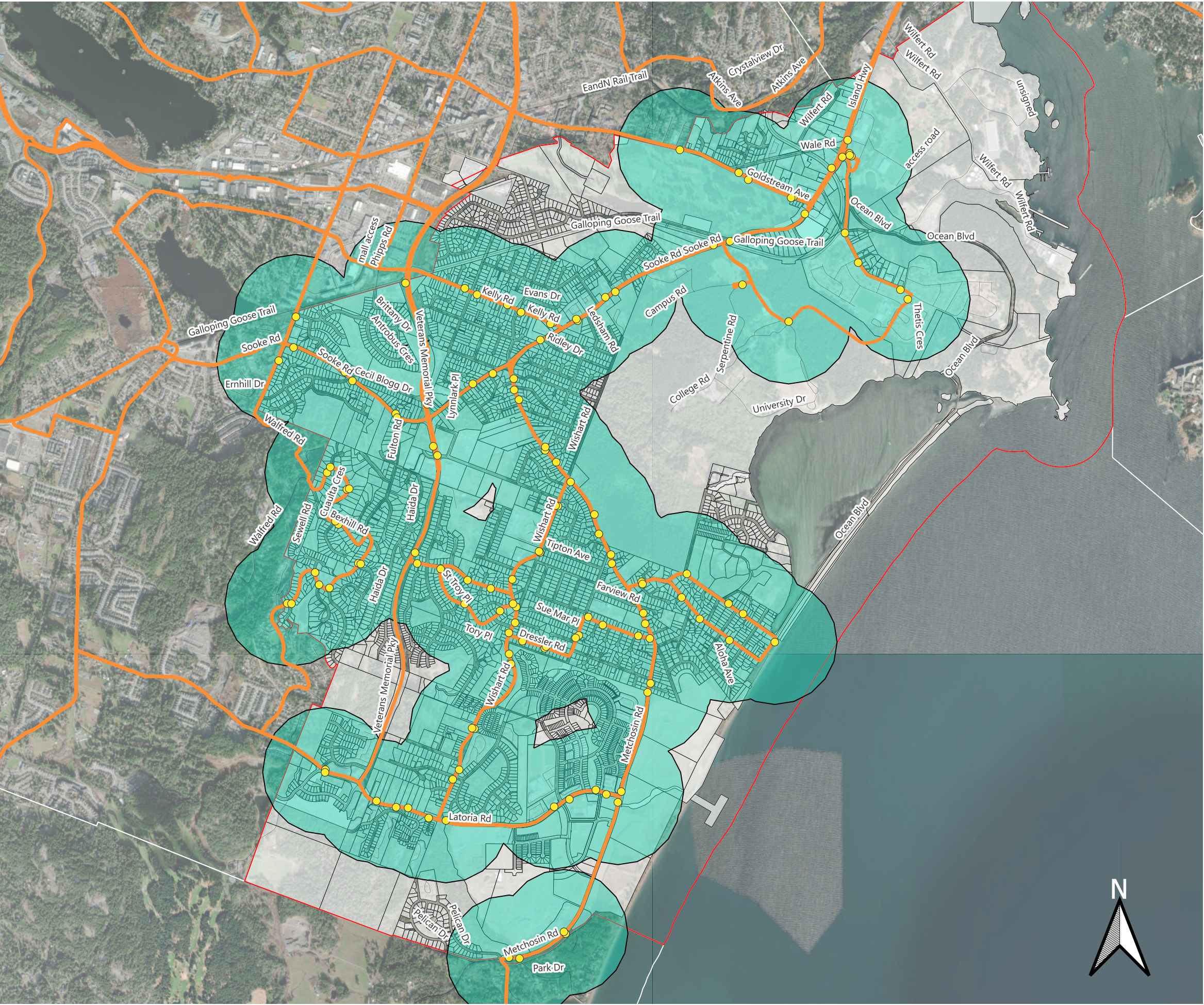


Projection: NAD83/UTM 10N 1: 40,000

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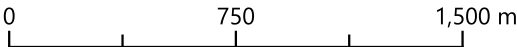
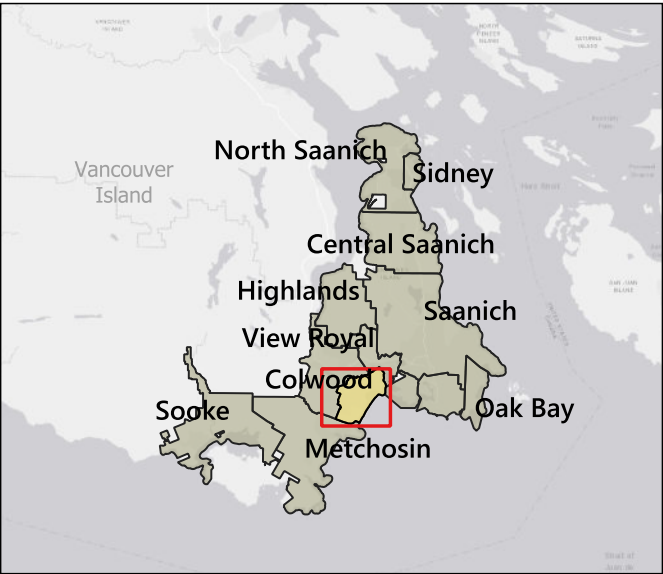
City of Colwood

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- City of Colwood Parcels
- City of Colwood Administrative Boundary

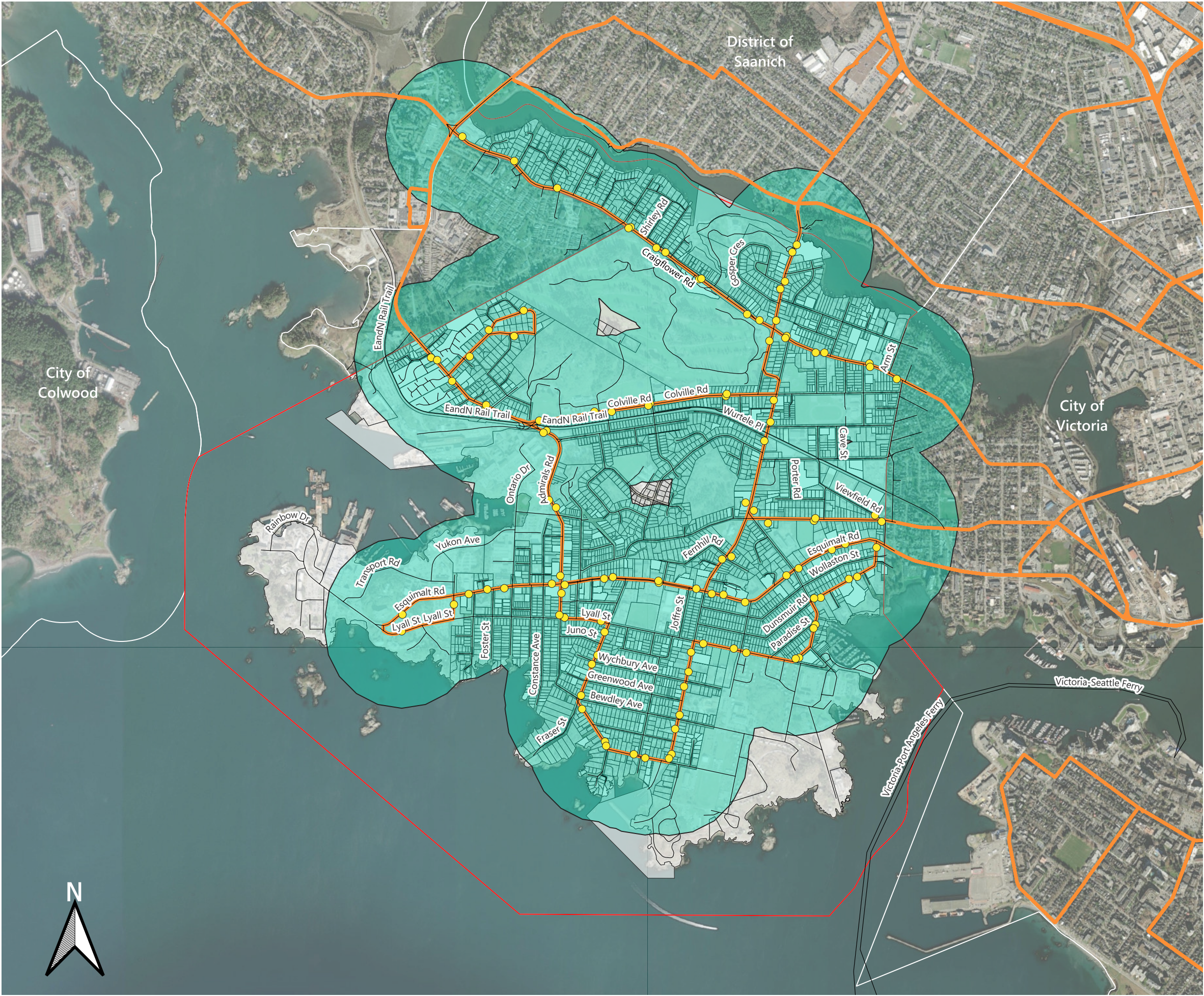


Projection: NAD83/UTM 10N 1: 25,000

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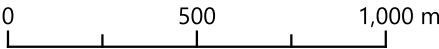
Township of Esquimalt

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Esquimalt Parcels
- Esquimalt Administrative Boundary

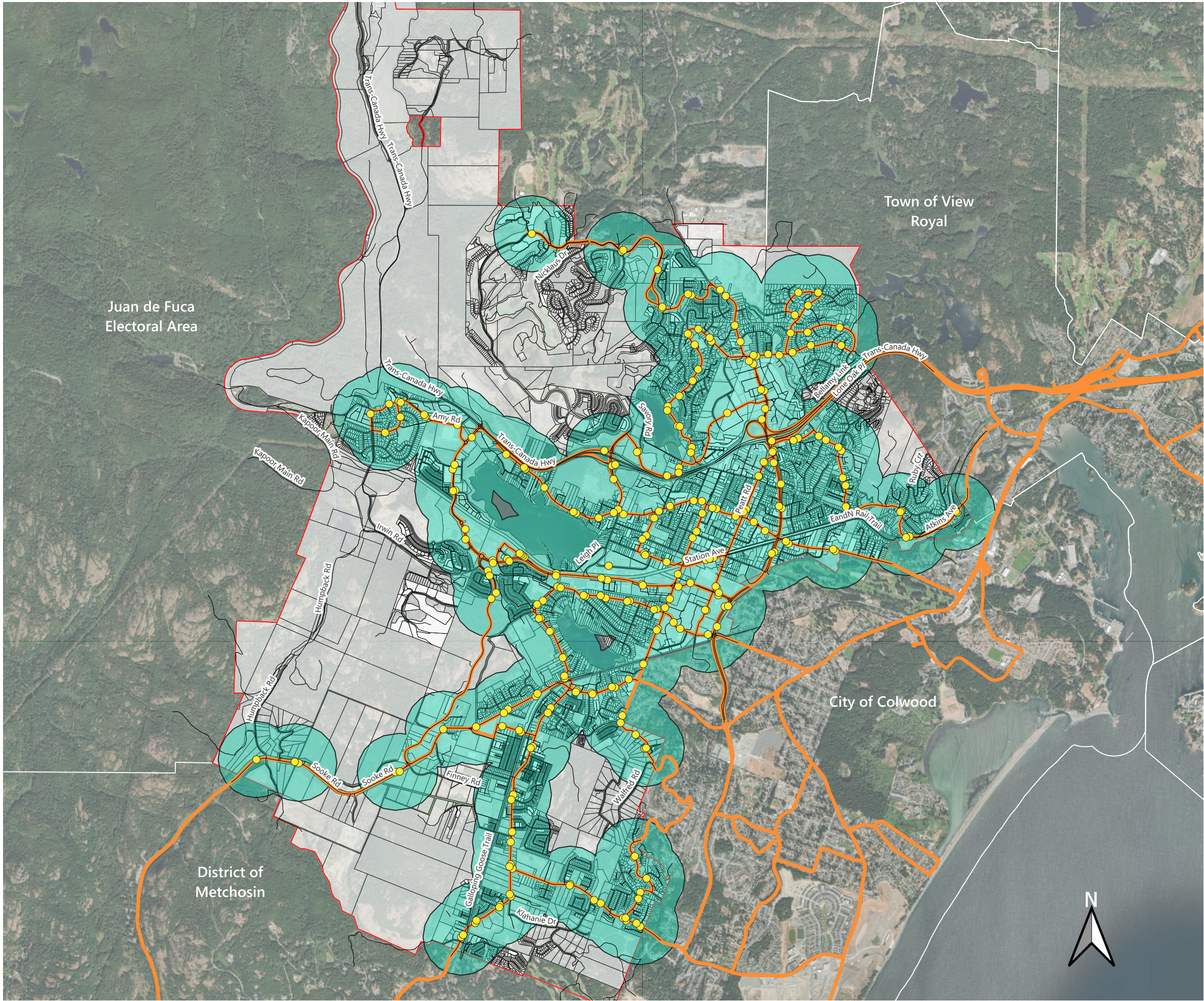


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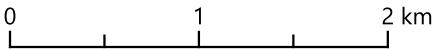
City of Langford

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Langford Parcels
- Langford Administrative Boundary

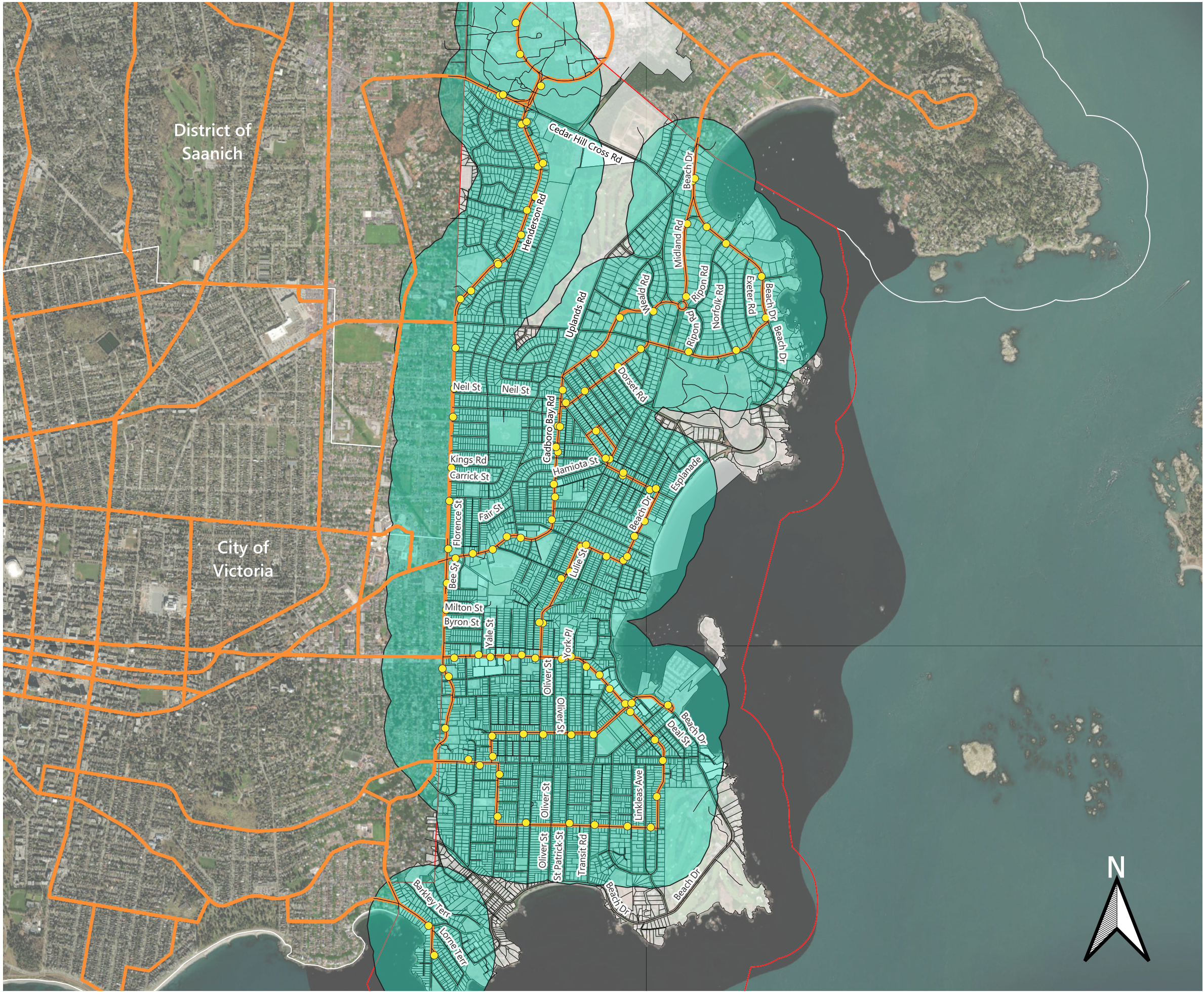


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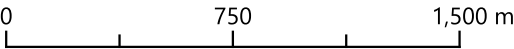
District of Oak Bay

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Oak Bay Parcels
- Oak Bay Administrative Boundary

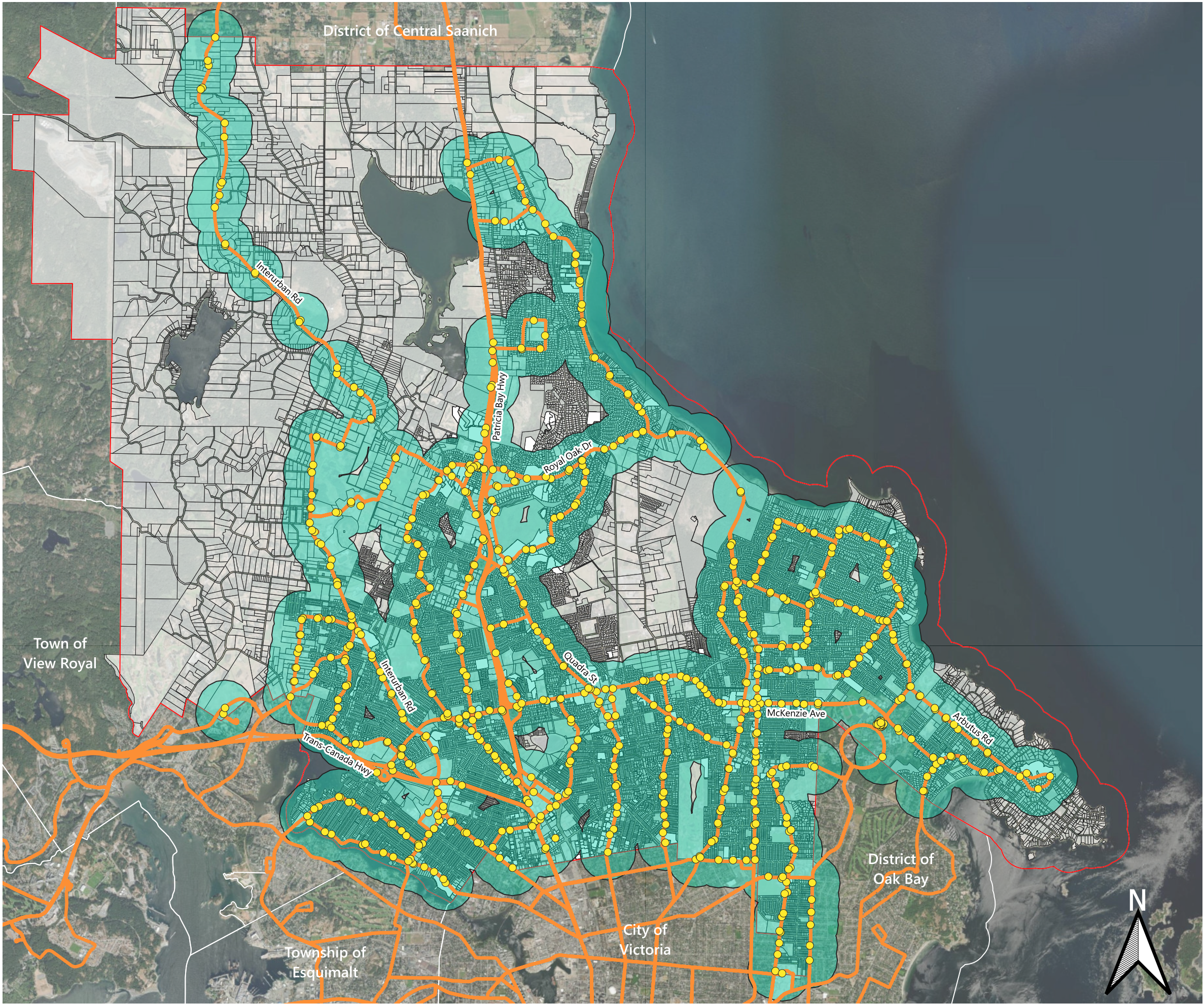


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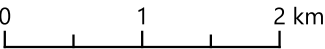
District of Saanich

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stop
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Saanich Parcels
- Saanich Administrative Boundary

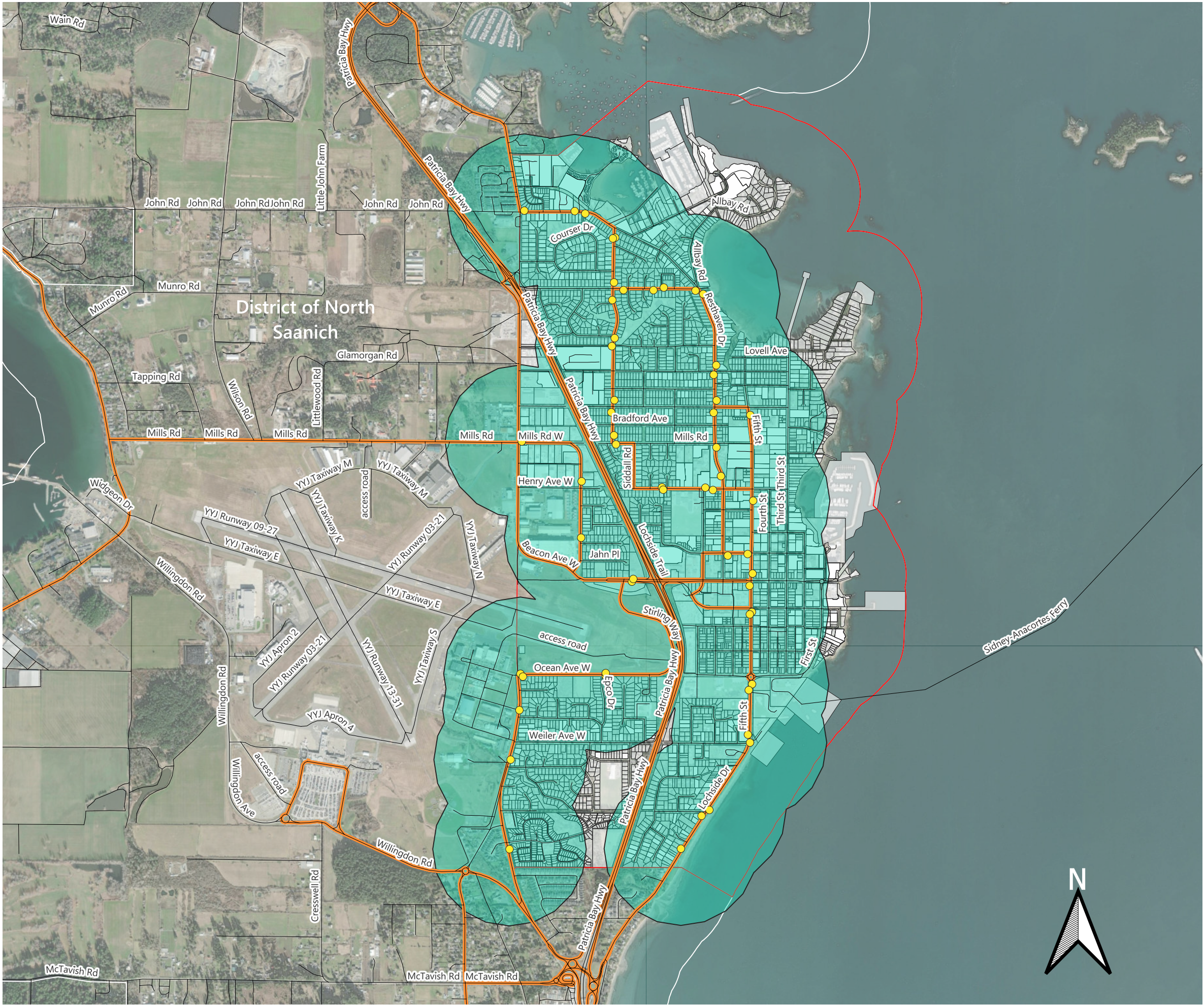


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Town of Sidney

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stops
- Transit Routes
- Street Network
- Sidney Parcels
- Sidney Administrative Boundary



0 500 1,000 m

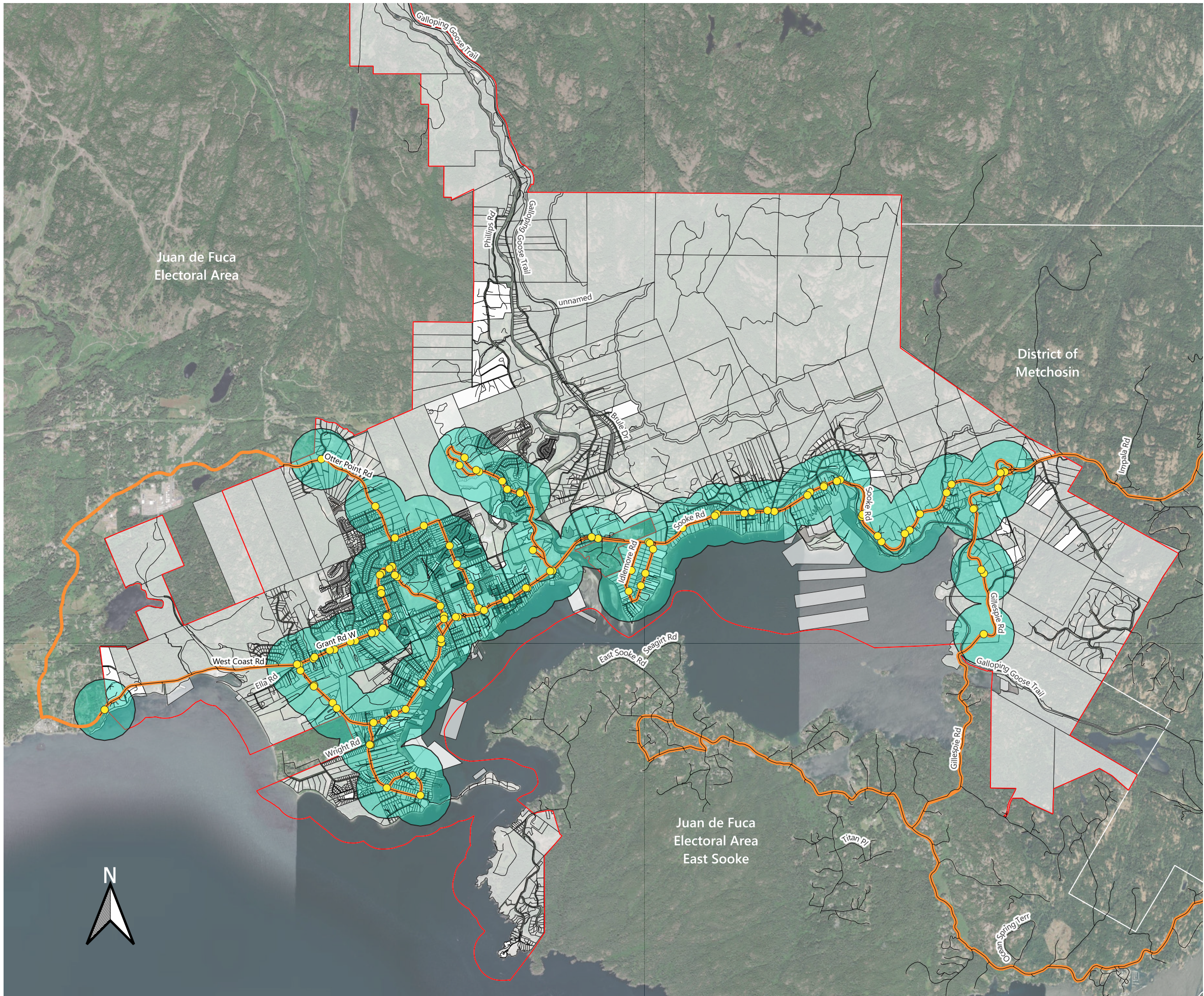
Projection: NAD83/UTM 10N 1: 20,000

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District of Sooke

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Sooke Parcels
- Sooke Administrative Boundary



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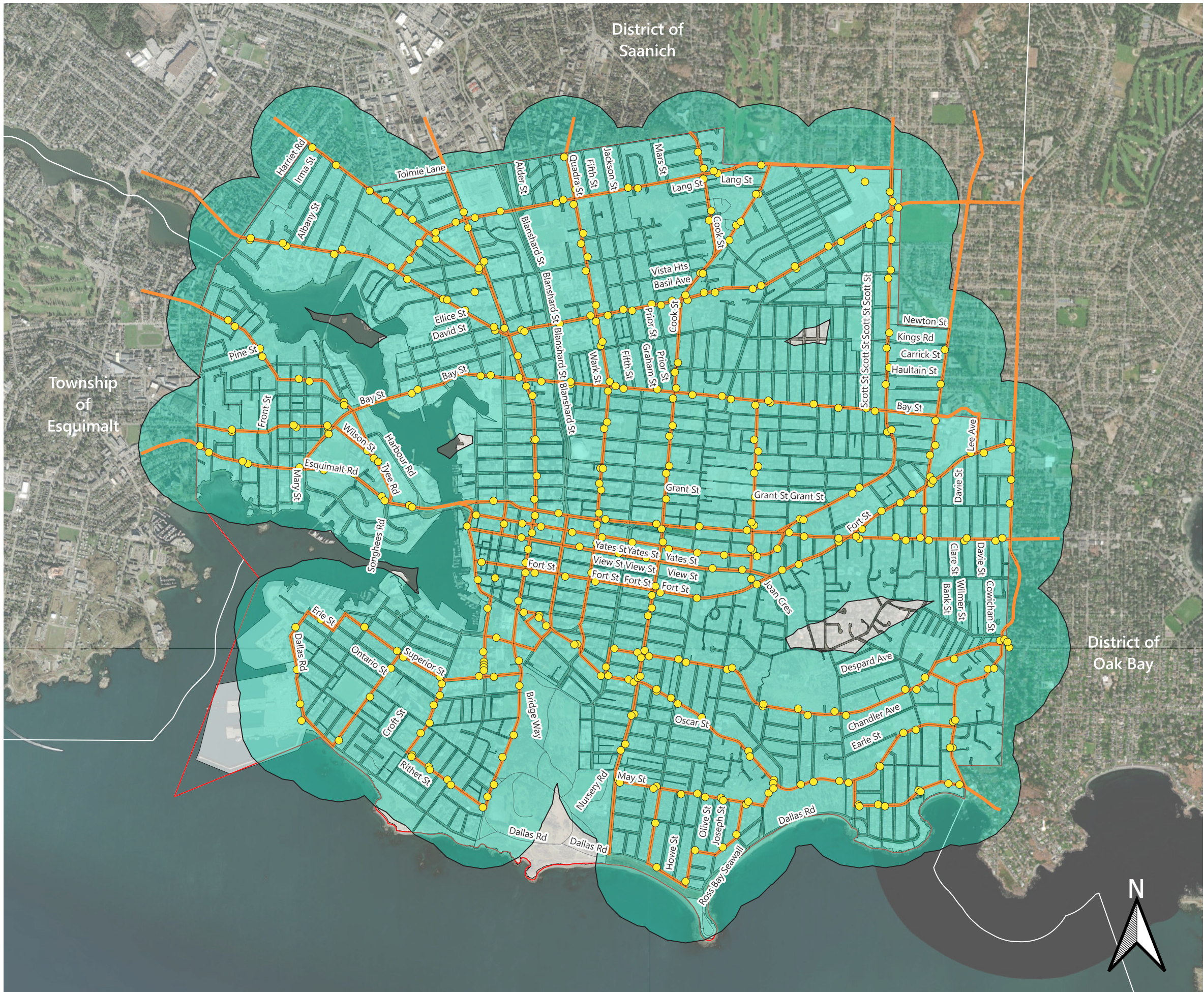
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City of Victoria

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stops
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- Victoria City Blocks
- Victoria Administrative Boundary



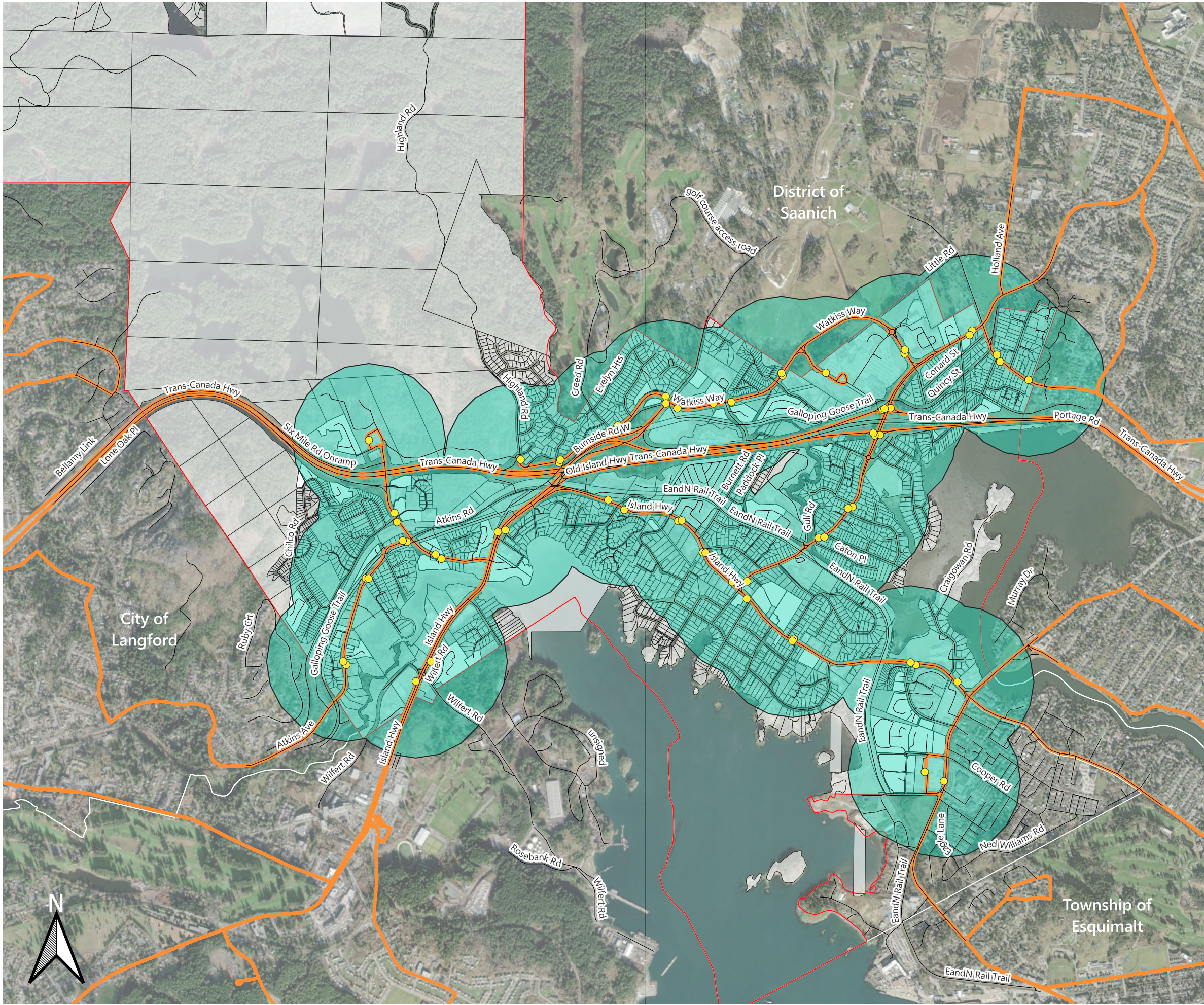
0 750 1,500 m

Projection: NAD83/UTM 10N 1: 25,000

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Town of View Royal

400m Boundary From Transit Stops

Capital Regional District
Regional Housing: Acquisition Strategy



- Transit Stop
- 400m Boundary from Transit Stop
- Transit Routes
- Street Network
- View Royal Parcels
- View Royal Administrative Boundary



0 500 1,000 m

Projection: NAD83/UTM 10N 1: 20,000

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Appendix B

Municipal Policy and Regulation Summary

	Median HH Income (Based on 2020 data)	Median Cost of Living Adjustment	Apartment Densities	Rezoning Fee	Building Permit Fee	Development Permit Fee	Development Cost Charges	School Site Acquisition Charge	Notes
Central Saanich	103,000	2021 = \$103,515 2022 = \$105,683.215 2023 = \$112,998.429	Bachelor Apartment minimum of 40.0 m ² net of common area 1 Bedroom Apartment minimum of 50.0 m ² net of common area 2 Bedroom Apartment minimum of 65.0 m ² net of common area 3 Bedroom Apartment minimum of 80.0 m ² net of common area 4 Bedroom Apartment minimum of 111.5 m ²	Single Residential/ Duplex Min Fee: \$3600 OR \$360 per lot, whichever is greater Multiple dwellings or townhouse: \$4800	Min Fee \$150 Portion of construction value up to \$100,000 \$150 plus 1.30% Portion of construction value from \$100,001 to \$500,000 plus 1.20% Portion of construction value over \$500,000 plus 1.00%	N/A	Residential Detached: \$6101 Residential Small Detached: \$5431 Multi-family Residential: \$3944	Set by the province through the SSAC calc.: Low Density Residential (1-20 units/Ha), \$1,000/unit Medium Low Density (21 to 50 units/Ha), \$900/unit Medium Density (51 to 125 units/Ha), \$800/unit Medium High Density (126 to 200 units/Ha) \$700/unit High Density (201+ units/Ha) \$600/unit	Bylaw to Provide a Reduction of Development Cost Charges
Colwood	102,000	2021 = \$102,510 2022 = \$104,657 2023 = \$111,895	Apartment Residential designation are 100 uph (40 upa) to 250 uph (100 upa)	\$4,193 (base fee) + \$0.25 /m ² lot area <5,000 m ² + \$0.12/m ² lot area >5,000 m ²	Permits less than \$1,000 or less = \$50 For permits in excess of \$1,000.00, the fees shall be \$50.00 or the first thousand, plus \$12.00 per thousand or part for the next \$99,000.00, plus \$10.00 per thousand or part for the next \$400,000.00, plus \$8.00 per thousand, or part thereof, for the remainder Application Fee included in Building Permit Fee Permits with a construction value of \$200,000 or less: \$100.00 Permits with a construction value more than \$200,000. \$1,000.00Application Fee, non-refundable, included in Building Permit Fee Permits with a construction value of \$200,000 or less: \$100.00	N/A	Single Family: \$7015 Townhouse/ Duplex: \$4539 Apartment/ Condo: \$4624		Development Cost Charges Estimator: https://www.colwood.ca/city-services/development-services/development-cost-charges-estimator
Esquimalt	76,000	2021 = \$76,380 2022 = \$77,979 2023 = \$83,356	Medium density residential FAR of up to 2.0 or 6 storeys High Density residential FAR up to 3.0 or 12 storeys	\$1000 plus \$500 for each dwelling unit	For permits \$1000.00 or less in value=\$50.00 For permits in excess of \$1000.00 in value the fees shall be \$50.00 of the first thousand, plus \$13.00 per thousand or part thereof for the next \$99,000.00, plus \$11.00 per thousand or part thereof for the next \$400,000.00 and \$9.00 per thousand in excess of \$500,000.00	Single Family Infill dwelling unit \$750/dwelling unit Duplex \$750/dwelling unit Multiple Family Residential \$1200 plus \$120/dwelling unit Mixed use development Fee to be calculated based on the combined fees for the residential and commercial development of the building development	Does not have DCCs		
Langford	93,000	2021 = \$93,465 2022 = \$95,428.36 2023 = \$102,016.29	N/A	Text amendment only: \$1116 Text amendment only under existing zoning for changes to not more than two aspects of the Zoning Bylaw: \$2226 All land uses: <1000m ² of site area: \$3465 1001m ² - 8094m ² : \$7159 >8094m ² - 40467m ² : \$10275	N/A	Interface Fire Hazard DP Ara: \$310 Riparian DP Area: \$618 Two-Family Residential (Duplex): \$991 Two-Family Residential (Duplex, not compliant with DG): \$2539	Link to Development Cost Charges for Major Roads, Sewers, Water Board.		
Oak Bay	107,000	2021 = \$107,535 2022 = \$109,778.83 2023 = \$117,355.44	N/A	Zoning By-law Amendment = \$2,500 Additional deposits in increments of Five Hundred Dollars \$500	Building Permit fees are based on the value of construction	\$500.00, plus \$65.00 for each variance of a bylaw provision in excess of one that is required to accommodate the development or other proposal represented by the application	N/A		
Saanich	93,000	2021 = \$93,465 2022 = \$95,428.36 2023 = \$102,016.29	N/A	\$2,000.00 where the application is to rezone lands in any zone EXCEPT that a lesser fee of \$1,000.00 shall be submitted where the application is to rezone lands from one single family zone (RS) to another single family zone (RS) for the sole purpose of creating one lot for single family dwelling use	Value of \$1000 or less: 100.00 Value of \$1001 - 499,999: \$ 13.00 / \$1,000 of Permit Value Value of \$500,000 +: 10.00 / \$1,000 of Permit Value	\$500.00	Single Family Residential: \$11542 Duplex/Triplex/Quadplex: \$9108 Townhouse Residential: \$8071 Apartment Residential: \$6462		
Sidney	77,000	2021 = \$77,385 2022 = \$78,015.68 2023 = \$83,401.38	Multi-family Residential Density and Height: 45-65 UPH, up to 6 storeys	Joint Zoning and OCP = \$1,800.00 plus \$1,50.00 Public Hearing and \$300 mail-out deposit Amendment to Zoning Bylaw = \$1,300.00 plus \$1,500.00 Public Hearing and \$300 mail-out deposit	Plan Processing Fee for Building Permit Application: Construction value less than \$100,000: \$50 Construction value greater than \$100,000: \$100 Commercial or multi-family new construction: \$200 Reduced fee for alterations, additions, or repairs to existing buildings: \$100 Building Permit Fee (based on construction valuation): \$1,000 or less: \$100 Over \$1,000: \$100 for the first \$1,000, plus \$13 per thousand for the next \$99,000, plus \$11 per thousand for the next \$400,000, and \$9 per thousand for amounts over \$400,000	DP Minor = \$150.00 DP Major = \$300.00 plus \$50.00 per unit of residential construction as per the application \$300.00 plus \$0.50 x m ² of floor area as per application for all other uses	Town DCCs vary by location. For a complete list of the DCCs for your development site, please visit Town Hall or send an email request. (never got back to me)		
Sooke	87,000	2021 = \$87,435 2022 = \$89,272.23 2023 = \$95,434.79	OCP OR Zoning By-law Amendment \$5300.00*. Additional Fee of \$0.15/m2 of lot area Link to FAR here:	Zoning By-Law Amendment: \$5300*+\$0.15/m ² of lot area	Building Permit Fees Based on Construction Value	Development Permit \$1200.00 \$1.50/m ² of gross floor area Development Permit Amendment \$700.00 n/a	Low Density Residential: \$16,237 Medium Density Multi-Family: \$8882 High Density Multi-Family: \$5251		
Victoria	67,500	2021 = \$67,837.50 2022 = \$69,262.08 2023 = \$74,046.35	Total FSR of a residential component for non-market housing may range up to approximately 2.5:1, as indicated in local area plans	Up to 3 dwelling units (excluding Duplex/ Triplex) \$2000 per dw/unit Duplex \$3000 Triplex \$4000 Over 3 dwelling units of any type = \$6000 + \$0.50 per m ² of total floor area	Application fee: \$100 Building Permit Fee: 1.40% of cost of construction* (not including plumbing & electrical value)	Up to 3 dwelling units \$2000 per dwell/unit Duplex \$3000 Triplex \$4000 Over 3 dwelling units of any type \$6000 + \$2.50 per m ² of total floor area	Detached Dwelling: \$6871 per lot Two Family Dwelling: \$12,178 per lot Attached Dwelling: \$44.77 per m ² of total FA Multiple Dwelling: \$44.87 per m ² of total FA		
View Royal	98,000	2021 = \$98,490 2022 = \$100,550.79 2023 = \$107,491.76	Large Lot Residential: up to 5 stories Residential: Max. FSR .5 permitted for infill, up to 2.5 storeys Mixed Residential: up to 3 storeys/ 1.25 FSR permitted, 4 storeys/1.6 FSR permitted for apartment dwellings Neighbourhood Mixed Use: 3 storeys, 1.5 FSR permitted Neighbourhood Centre (Commerical with 1.5 to 2.5 FSR)	\$2,200.00	Building Permit Fees Based on Construction Value \$0-\$10000 = Min. \$100 \$10,001-\$100,000 = \$100 plus 1.25% \$100,001-\$500,000 = \$1228 plus 1% Over \$500,000 = \$5228 plus .75%	\$550.00 for first five variances ** FOR LARGE PROJECTS: Gross floor area (m ²) x \$1.15 (All residential projects over 4 dwelling units)	Detached Residential: \$9806 Multi-family Residential: \$6519 Commercial: \$40.59, m ² of gross FA		

Appendix C

Continuum of Measures for Housing Affordability

Continuum of Measures for Housing Affordability³⁰

Fiscal Measures:

- -Payment in-lieu accepted for density bonus
- -Amenity Cost Charges (ACC) allocated to affordable housing
- -Waiving development fees for affordable housing
- -Waive/reduce municipal development cost charges for affordable housing
- -Property tax exemption for non-supportive affordable housing
- -Grants to facilitate affordable housing
- -Heritage grants that address housing affordability
- -Lease City owned sites appropriate for affordable housing to non-profits
- -Donate City-owned land to facilitate affordable housing
- -Land trust for affordable housing
- -Affordable housing reserve/trust fund
- -Energy efficiency programs for affordable housing
- -Other fiscal actions (unique to local municipality)

Planning Process or Policies

- Official community plan policies showing commitment to providing a range of housing choices
- Neighbourhood plans/area plans showing commitment to providing a range of housing choices
- Identifying suitable affordable housing sites in neighbourhood and planning processes
- Tenant relocation policy
- Family friendly policy
- Adaptable housing policy (include definitions/details)
- Heritage Program includes provisions to consider/address housing affordability
- Affordable housing strategy or housing action plan
- Ownership affordability program/policy (provide specifics)
- Other planning actions

Zoning/Regulatory Actions

- Increased density in areas appropriate for affordable housing
- Micro housing units policy
- Micro housing units approved on a case-by-case review
- Smaller lots
- Coach houses

³⁰ Neil Spicer, Senior Policy and Planning Analyst, Parks, Planning and Environment, “*Municipal Measures for Affordable housing Matrix – 2018 Update*” dated May 23, 2018 presented at the Metro Vancouver Regional District, Regional Planning Committee June 8, 2018.

- Secondary suites in single family zones
- Secondary suites in other zones
- Lock-off units in apartment and/or row housing
- Infill housing
- Broadening row house/townhouse & duplex zoning
- Density bonus provisions for affordable housing
- Reduced parking requirements for all housing located in areas with good access to transit
- Reduced parking requirement for affordable housing
- Pre-zone lands for affordable housing
- Comprehensive development zone guidelines favour affordable housing
- Inclusionary zoning policy for affordable housing
- Inclusionary zoning has occurred with rezoning process
- Modified building standard (i.e., code related)
- Housing agreements
- Other zoning actions

Approval Process Measures

- Provide assistance
- Concurrent rezoning and building permit applications
- Fast track approval of affordable housing projects

Purpose Built Market Rental Incentives

- Fees waived or reduced for new market rental housing development
- Density bonus for new market rental housing development
- Parking requirements relaxed for new market rental housing development

Rental Housing Loss Prevention Measures

- Standards of maintenance by-law
- Replacement policies for loss of rental housing stock
- Demolition policies
- Condo/strata conversion policies
- Retention policy

Education and Advocacy Measures

- Monitor rental housing stock
- Guide to development process for affordable housing options such as secondary suites

Appendix D

Existing Building Examples

Geography	Land Size	Storeys	Units	Assessed \$	Asking \$	Sold in the Last 3 Years \$	Age	Zoning	Considerations
Central Saanich									
1230 Verdier Avenue, Brentwood Bay Saanichton V8M 1P2	102228 sf	6	92	\$ 25,111,000	N/A	N/A	1992	N/A	N/A
1040 Stellys Cross Road, Brentwood Bay V8M 1H5	2.85 ac	4	70	\$ 30,029,000	N/A	N/A	2021	N/A	N/A
7878 East Saanich Road, Saanichton V8M 1T4	20579 sf	5	48	\$ 21,503,000	N/A	N/A	2016	N/A	N/A
North Saanich & Sidney									
2433 Malaview Avenue, Sidney V8L 4G4	53066 sf	4	60	\$ 18,622,000	N/A	N/A	1979	N/A	N/A
2433 Malaview Avenue, Sidney V8L 4G4	53066 sf	4	60	\$ 18,622,000	N/A	N/A	1979	N/A	N/A
Colwood									
3221 Heatherbell Road, Colwood V9C 1Y8	4.21 ac	4	33	\$ 6,740,300	N/A	N/A	2017	N/A	N/A
Landmark Building 1085 Goldstream Avenue, Victoria V9B 0Y7	2.15 ac	5	166	\$ 54,881,000	N/A	N/A	2019	N/A	N/A
284 Belmont Road, Colwood V9C 1B1	0.58 ac	4	48	N/A	\$ 14,926,000	N/A	2021	N/A	Originally built in partnership with BC Housing Hub program.
Esquimalt									
908 Carlton Terrace, Esquimalt V9A 5A5	17266 sf	2	8	\$ 2,460,000	\$ 4,125,000	N/A	1970	RM4	N/A
687 Admirals Road, Esquimalt V9A 6N7	16361 sf	6	50	\$ 14,270,000	N/A	N/A	2022	N/A	Recently developed.
860 Carrie Street, Esquimalt V9A 5R4	12500 sf	3	16	\$ 3,406,000	\$ 5,350,000	N/A	1971	RM4	Tenants currently residing below market rent. For sale for more than 250 days.
Saanich									
3216 Alder Street, Victoria V8X 1P2	N/A	4	27	\$ 9,862,000	N/A	N/A	2019	N/A	N/A
3501 Savannah Avenue, Victoria V8X 1S6	52514 sf	4	48	\$ 15,295,000	N/A	N/A	1978	N/A	N/A
1028 Inverness Road, Saanich V8X 2S1	14880 sf	3	13	\$ 4,246,000	\$ 4,999,000	N/A	1976	N/A	Property is surrounded by multi-family zoning.
Langford									
Belmont Place Apartments 3130 Jacklin Road, Victoria V9B 3Z1	5.12 ac	5	222	\$ 80,568,000	N/A	N/A	2019	N/A	N/A
711 Treanor Avenue, Victoria V9B 6W7	62646 sf	6	95	\$ 40,231,000	N/A	N/A	2021	N/A	N/A
691 Hoylake Avenue, Victoria V9B 3P9	2.45 ac	5	147	\$ 49,530,000	N/A	N/A	N/A	N/A	N/A
Oak Bay									
2161 Haultain Street, Oak Bay V8R 2L8	14048 sf	3	14	\$ 3,471,000	\$ 3,980,000	N/A	1953	RM3	Large majority of suites currently rented below market rate.
2174 Cadboro Bay Road, Victoria V8R 5H1	51575 sf	4	67	\$ 17,689,000	N/A	N/A	1968	N/A	N/A
2314 Oak Bay Avenue, Victoria V8R 1G9	20132 sf	4	27	\$ 9,255,000	N/A	N/A	1965	N/A	N/A
View Royal									
Aurora Watkiss Way, Victoria V8Z 0E6	2.22 ac	5	114	N/A	\$ 46,910,000	N/A	2018	N/A	N/A
Nursery Heights 301 Nursery Hill Drive, Victoria V9B 0L3	1.44 ac	5	72	N/A	\$ 28,523,000	N/A	2018	N/A	N/A
Sooke & Metchosin									
2068 Townsend Road, Sooke V9Z 0H2	11817 sf	3	6	\$ 1,153,000	\$ 1,999,000	\$ 1,450,000 (Sept 2021)	1963	R1	This property is in Sooke's City Town Core area, which allows redevelopment of an FSR or 2.5:1 and up to 6 storeys.
Victoria									
971 Market Street, Victoria V8T 4Z3	26100 sf	4	33	\$ 9,310,000	N/A	9,350,000 (April 2022)	1976	R3-2	When advertised for sale in 2022 a 2.0 FSR potential gross buildable area (52,200 sf) was noted.
1236 Pandora Avenue, Victoria V8V 3R4	23634 sf	4	43	\$ 11,866,000	N/A	\$ 13,973,000 (Nov 2021)	1979	N/A	
1220 Pandora Avenue, Victoria V8V 3R4	24044 sf	4	28	\$ 9,106,000	N/A	\$ 9,127,000 (Nov 2022)	1977	N/A	
1255 Grant Street, Victoria V8T 1C1	16206 sf	3	25	\$ 6,358,000	N/A	N/A	1965	N/A	
1300 Yates Street, Victoria V8S 1Z9	45965 sf	4	77	\$ 20,362,000	N/A	N/A	1966	N/A	
1165 Meares Street, Victoria V8V 3J9	7200 sf	3	11	\$ 2,627,000	\$ 3,725,000	N/A	1961	R3-AM-1	

Rural Housing Pilot Project Analysis

January 2024





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Executive Summary

This executive summary provides an overview of the findings from the rental housing analysis and affordable homeownership research conducted for the Capital Regional District's (CRD) rural areas. The report focuses on three areas where the CRD is the local government: Southern Gulf Islands Electoral Area (SGI), Salt Spring Island Electoral Area (SSI), and Juan de Fuca Electoral Area (JdF). The analysis explores various housing typologies, funding mechanisms, and economic conditions to provide incentives for expanded affordable housing options under a possible Rural Housing Program pilot. Key insights and recommendations from the financial analysis and research are highlighted below:

- **The Rural Housing Program (RHP) should prioritize allocating funding to projects in CRD rural areas where housing would have otherwise not been created.** While single-detached houses and accessory dwelling units are permitted across SGIs and SSI, the uptake to build accessory dwelling units has been slow. Previous studies have shown there is market demand for rental housing on the SGI and SSI, however, there has not been enough incentive or funding available to encourage developers and landowners to fill the market gap.
- **Secondary suites have the biggest potential to scale up in unit numbers when coupled with grant funding.** The financial analysis shows that grant funding has the biggest impact on making secondary suite rents affordable (for renovation of existing suites or new construction). The estimated grant needed to influence the development potential or affordability of secondary suites is \$30,000 per unit. The uptake potential of secondary suites, however, can be impacted by cultural preferences and whether there is strong market interest to build these units.
- **Cottages have higher development costs and require more grant funding than secondary suites.** Cottage development has higher costs and requires an estimated grant of \$60,000 per unit to influence the development potential or affordability of the unit, however, they may be preferred by residents in rural communities. Collaborating with different development approval authorities to create a pre-approved design for cottages, including septic system design, and developing under preferred interest rates can deepen affordability.

- **Multiplex rental development projects are challenging to develop from a financial standpoint under the current land use framework without stacking partnerships and grant funding.** Several factors contribute to the high cost of development, including a lengthy pre-development stage, cost of rural development, and permitted densities that do not maximize building cost efficiencies. To offset a portion of the pre-development costs, a grant of \$10,000 to \$20,000 per door can move development projects towards the building permit approval stage. This grant would lower the required rents in the project, and allow housing providers to contribute to the required equity for the project, which could unlock partnerships and further grant funding.
- **Entry-level homeownership programs such as rent-to-own and down payment matching programs should have smaller funding allocations as the investment costs are high and affordability is not guaranteed to carry over to the next user.** This program reach could be greater if coupled with partnerships or through existing funding programs.
- **The potential reach of the Rural Housing Program (RHP) pilot depends on the allocation of funding.** The allocation strategy for a hypothetical reserve of \$5.0 million to \$15 million for the RHP pilot should maximize the number of units built. The suggested distribution prioritizes rental housing (75%) and affordable homeownership (25%), aiming to create a total of 165 affordable units under a \$5.0 million program outreach and up to 308 units under the \$15 million program outreach.

In summary, the potential reach of the Rural Housing Program is substantial. It can help support housing providers in bringing forth several needed housing options, such as accessory dwelling units for rent, multi-unit rental housing, and affordable homeownership. While the reach of the program can change depending on the economic conditions, the recommended strategies and funding allocations aim to maximize the impact of the Rural Housing Program by increasing the development potential or affordability of the housing options.



Introduction

1.0 Introduction

The Capital Regional District (CRD) is exploring a suitable pilot project to increase housing options across the CRD's rural areas. The CRD's rural areas include Electoral Areas and municipalities outside of the CRD Urban Containment Policy Area Boundary (Saanich Peninsula and rural West Shore). This report focussed its analysis on the CRD's Electoral Areas for which it is the local government:

- Southern Gulf Islands Electoral Area
- Salt Spring Island Electoral Area
- Juan de Fuca Electoral Area

The goal of the project is to understand the financial feasibility of developing different types of housing and how these housing types are impacted by financial support (grants or forgivable loans). Ultimately, the CRD is looking to see how policies that offer grants or forgivable loans might most efficiently be designed to result in additional homes being developed. The findings from this analysis are intended to support recommendations for the development of a Capital Regional District Rural Housing Program (RHP).

This report contains a section on defining housing affordability in order to understand what the target rents would be under the RHP. The report analyzes three main elements:

Rental Housing Analysis

1. Financial incentives for encouraging the development of accessory dwelling units as rental units.
2. Pre-development funding to move multi-plex rental housing projects forward.

Affordable Homeownership Analysis

3. A review of common entry level home ownership programs in Canada and the benefits and limitations of each.

Findings and recommendations for the funding allocation are outlined in sections 5 and 6 of this report, including a discussion on stacking CRD grants with other government funding programs in order to move housing development concepts off the ground.



Defining Affordable Housing

2.0 Defining Affordable Housing

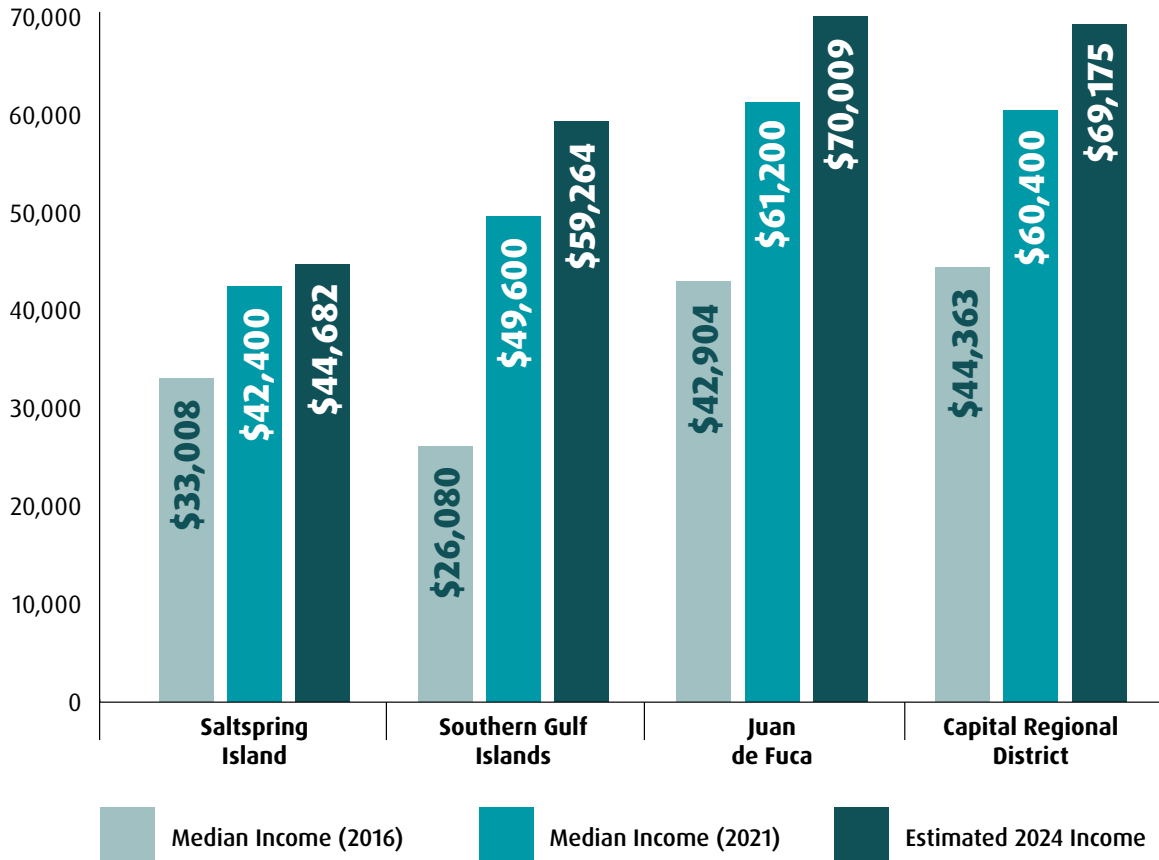
The CRD currently does not define affordable housing for the municipalities and electoral areas within its jurisdiction. To understand the housing affordability levels that could be achieved through CRD's Rural Area Housing Pilot Program, this section proposes rental affordability thresholds for the housing types examined in this report. The definition takes into consideration the remoteness of the CRD's rural communities and household incomes, which differ from the urban areas of the CRD.

2.1 Renter Household Income

The newest household income data available across the three rural areas that form part of this study, Salt Spring Island, Southern Gulf Islands, and Juan de Fuca Electoral Area (Part 1) is from the Census 2021. **Figure 1** shows median incomes for 2016 and 2021 across the rural areas of the CRD and the Regional District as a whole. Renter household incomes have increased substantially across these jurisdictions since 2016. This is attributable to a decline in renters at the lowest income levels (earning less than \$20,000 annually) in each jurisdiction and the region as a whole. We have provided estimated renter incomes for 2024, based on historical income growth for renter households between 2006 and 2021.

The CERB benefit offered by the federal government in 2021 had a significant impact on incomes for the most vulnerable households in Canada, including low-income renters. As such, the decline in low-income renters is likely attributable to the short-term impact of CERB, creating more income stability for vulnerable households, and the lack of rental housing availability in these areas. Salt Spring in particular saw an overall decline in the number of renters (from 1,160 in 2016 to 950 in 2021), which is indicative of a challenging rental market.

Figure 1: A Comparison of Renter Income and Estimated Income Across Rural CRD Areas, 2006, 2021, 2024



A comparative analysis of renter income distribution in 2016 and 2021 shows a significant upward shift in the income level of renters across all areas. The SSI and the SGI had a much higher proportion of renters earning less than \$60,000 per year than the region as a whole. The income profile for renter households in Juan de Fuca showed more similarity to the CRD as a whole than SSI and SGI. The findings of this analysis are shown in **Table 1** on the following page.

Table 1: Renter Household Income Distribution Analysis, 2016 and 2021

	2016	2021
Southern Gulf Islands (SGI)	78% of renter households earned less than \$60,000, and 67% earned less than \$40,000	54% of renter households earned less than \$60,000, and 40% earned less than \$40,000
Salt Spring Island (SSI)	78% of renter households earned less than \$60,000, and 50% earned less than \$40,000	67% of renter households earned less than \$60,000 and 44% earned less than \$40,000
Juan de Fuca (JdF)	57% of renter households earned less than \$60,000, and 48% earned less than \$40,000	27% of renter households earned less than \$60,000, and 27% earned less than \$40,000
Capital Regional District (CRD)	65% of renter households earned less than \$60,000, and 45% earned less than \$40,000	50% of renter households earned less than \$60,000, and 35% earned less than \$40,000

Source: Adapted from Statistics Canada, Census 2016 and 2021

Based on available income data, it is clear that the SGI and SSI have a different composition of renters than seen in JdF and the CRD as a whole, with a higher proportion of very low, and low income renters. While income levels have improved somewhat between 2016 and 2021, it has been suggested in some interviews (with SGI Liaisons) that a noticeable segment of the lowest income residents of these areas have moved after being priced out of the market. Nevertheless, the data shows that any affordability definition for these areas must consider the fact that renters on the islands are likely to be lower income than renters in other parts of the CRD (including Juan de Fuca).

Table 2 below shows BC Housing's Housing Income Limits (HILs) for Greater Victoria in 2023. These figures are derived from CMHC's Rental Market Survey, conducted annually in most Census Agglomerations. The Rental Market Survey focuses on the primary rental market (i.e. purpose-built rental housing). However, most, if not all, of the rental stock in the CRD's rural areas is in the secondary market (i.e. secondary suites, private homes rented out, etc.), and little data is available about the cost of these rentals.

Table 2: Housing Income Limits for the Greater Victoria Region (CRD), 2023

	1-Bdrm/less	2-Bdrm	3-Bdrm	4-Bdrm
Rent levels as defined by HILs	\$1,250	\$1,625	\$2,050	\$2,388
Income threshold	\$50,000	\$65,000	\$82,000	\$95,500

Source: BC Housing

2.2 Proposed Rental Housing Affordability Guidelines

Based on the household income data, this points to a strong need to provide affordable rental opportunities on the islands that will serve renters at the lower end of the income continuum. The program should therefore consider the following thresholds for rental housing:

- **Market Rental and Rent-to-Own threshold:** \$1,500 and up (for households earning \$60,000 and up)
- **Below Market threshold:** \$1,000 to \$2,050 (for households earning \$40,000 to \$60,000)
- **Deep Subsidy threshold:** \$1,000 and below (for households earning less than \$40,000)

This latter category is likely to be the most needed by current renters on the islands. However, it is also the least viable, as rents may be too low to pay off all operating costs. Units in this category may need some form of cross subsidy.

Rental income for financial analysis for the SGI and SSI should therefore be structured as outlined in **Table 3** below. Rent Geared to Income (RGI) or Deep Subsidy rental thresholds are low but align with income assistance shelter rates for the smallest unit. **It should be noted that for all categories outlined in Tables 2 and 3, thresholds are intended to be a starting point for that category. It should also be noted that these guidelines should be updated on an annual basis as HILs are updated.**

Table 3: Rental Thresholds for the Southern Gulf Islands and Salt Spring Island, 2023

	1 Bdrm/less	2 Bdrm	3 Bdrm
Market Rent and Rent-to-Own Guidelines	\$1,500	\$1,950	\$2,438
Below Market Rental Thresholds	\$1,000	\$1,250	\$1,500
Deep Subsidy Thresholds	\$500	\$750	\$1,000

Rental thresholds for Juan de Fuca should conform more closely to the CRD HIL rates, as the income profile of renters more closely matches the regional profile. As such the rental thresholds outlined in **Table 4** can be used for financial analysis.

Table 4: Rental Thresholds for Juan de Fuca, 2023

	1 Bdrm/less	2 Bdrm	3 Bdrm
Market Rent Guidelines	\$1,500	\$1,950	\$2,438
Below Market Rental Thresholds	\$1,250	\$1,625	\$2,050
Deep Subsidy Thresholds	\$500	\$750	\$1,000





Rental Housing Analysis

3.0 Rental Housing Analysis

This section reviews the financial impacts of developing **rental housing** in the context of the CRD's rural areas. The purpose of this financial analysis is to understand the market rents supposed if the rental units were built: 1) Under mortgage lending rates of 7.0%; 2) Under decreased mortgage lending rates of 4.0%; 3) The rents that could be supported if funding were available in both 1 and 2.

While the Bank of Canada has held its benchmark interest rate at 5% since July 2024, some economists are forecasting the Bank of Canada to initiate rate cuts slowly, starting in the second quarter of 2024 and potentially to 4.25% by the end of 2024^{1,2}. While interest rates are out of the CRD's control, modelling two market conditions where the mortgage lending rate is 7.0% and at a lower lending rate of 4.0% illustrates that the timing of the economic market can impact the potential reach of the RHP.

This section reviews three types of rental housing:

- **Secondary suites**, which include the renovation and new construction of secondary suites
- **Accessory dwelling units**, such as cottages or garden suites
- **Multi-unit buildings**, which could be plexes or townhouses. While duplexes are permitted under some zones, multi-plexes and townhouses are not commonly permitted under current zoning across the CRD's rural areas.

Required Rent and Decrease in Supportable Rent

The "required rent" outlined in each test scenario refers to the monthly rent that a landlord would have to receive from a tenanted unit in order to pay for its expenses. Note that these rents refer to the starting rents for the unit during first tenancy only.

Throughout this analysis, the term "decrease in supportable rent" refers to how much the required rent would be lowered if a RHP grant were provided to the landlord during development. For example, if the rent was \$1,000 without any grants and the rent dropped to \$950 with a \$10,000 grant, then the decrease in supportable rent is \$50.

1 "Interest rate increases bite, leading to deeper recession", Deloitte, 2023, <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/ca-economic-outlook-september-2023-report-aoda-en.pdf?icid=eo-report-september-2023-aoda-en>

2 "Long-Term Forecast", TD Economics, 2023, <https://economics.td.com/ca-long-term-forecast>

Policy Goal and Securing Affordability

Under the RHP, the policy goal is that any grant provided to landowners will secure the units as non-market units. This means that after the first tenancy, the required rents can only be increased according to the provincially mandated annual permitted rent increase and not with any increases in the housing market. In addition, during tenant turnover, it is intended that the housing agreement will limit the rent increase to the Consumer Price Index. In other words, even if units are initially rented at rents above the affordability guidelines, over time, the unit would be secured as non-market affordable housing (assuming an escalating rental market). Whether the unit starts off within the affordability guidelines or above it is dictated by the way the grant is distributed into the equity of the approach (see the Equity Approach section below).

One mechanism to secure the affordability is for the CRD to enter into a housing agreement with the landowner, which is then approved as a bylaw and registered on title as a condition of the grant, and dictates the terms for use of the unit. The term for the housing agreement should consider the relative size of the initial investment against the number of years the agreement is in place, and the equity approach that is applied.

One challenge to using housing agreements for secondary suites and cottages across the CRD's rural areas is that with program success, there will be an increase in the number of agreements to adopt, administer and enforce. However, it can be done with a streamlined internal process and appropriate levels of staffing to administer the program. The CRD could also explore a program to partner with a non-profit organization with a mandate to support affordable housing that to sign the land lease agreements with a group of individual landowners on behalf of tenants. Outside of housing agreements, further research is needed to understand whether additional tools are available to local governments, such as forgivable loans. The CRD is currently undertaking a Housing Agreement Program review which will help inform the implementation of the RHP.

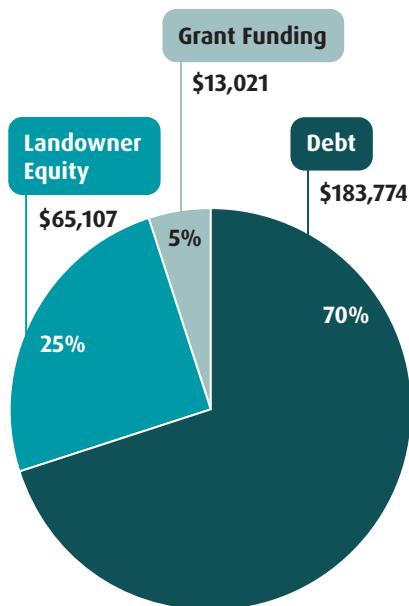
Equity Approach

There are two equity approaches in which the secondary suites and cottages could be supported financially and each approach has its own merits³. The goal to provide an incentive to build a unit, rent it, and agree to have the rent controlled as a non-market unit. Scenario 2A requires a 25% equity requirement from the landowner, and any grant funding from the CRD is stacked on top of the 25%. Scenario 2B requires a 25% equity, however, any grant funding from the CRD goes towards the 25% and lowers the portion to be contributed by landowner.

³ Note that Scenario 2B does not apply to the multi-unit building analysis as the initial equity required is high due to the construction costs.

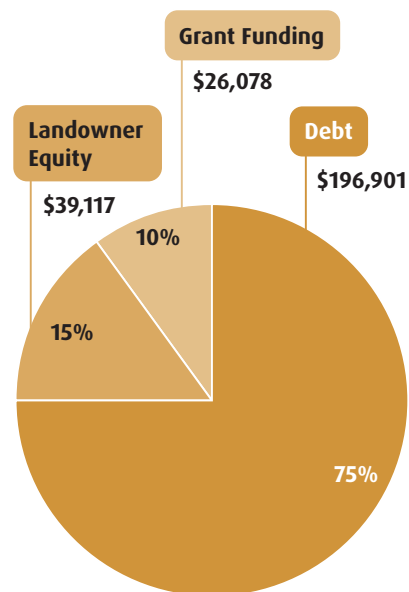
One scenario, “**Scenario 2A**” as shown in **Figure 2**, is to structure the equity so that the landowner contributes the minimum amount of equity required to make the project financially viable, and any additional grants from government (CRD or other entity) would be directed to reducing rental rates to make the rent more affordable. This is because any additional grants are added on top of the 25% equity, lowering the principal mortgage required.

Figure 2: Example of Landowner-Led Equity Distribution in an Auxiliary Dwelling (Scenario 2A)



The second scenario, “**Scenario 2B**” as shown below in **Figure 3**, models a situation where the landowner only contributes a portion of the equity and the remaining required equity is topped up with grant funding, targeting a total equity of 25%. The intent of this approach is to encourage the development of units rather than deepen the affordability of the rents. It also recognizes that not every landowner may have the upfront equity required (a full 25% equity) to construct an accessory dwelling unit as modelled in Scenario 2A. This scenario does not model an equity contribution of more than 25%.

Figure 3: Example of Top Up Equity Distribution in Secondary Suite Renovation (Scenario 2B)



In summary, Scenario 2A allows the grant contributions to support lower mortgage payments, and therefore lowers the required rents in the units. Scenario 2B allows the grant contributions to lower the equity that landowners must put towards the unit and does change the required starting rents. Both scenarios will secure non-market units, but the uptake is dependent on individual landowner’s preferences. To better understand which approach would receive more uptake, it is suggested that the CRD conduct community engagement to gather input on the two equity approaches.

Assumptions and Limitations

All scenarios in this section are run under the assumption that a debt service coverage ratio (DSCR) of 1.1 must be met, as that is one metric that lending institutions will use to determine whether a loan can be approved. Inherently this means that a minimal amount of annual revenue will be returned as profit to the landowner if there are no major vacancies⁴ during the year. This annual return on equity is discussed in the scenarios below.

It is also assumed that the minimum equity contribution for the mortgage must be 25% of project costs and the assumed loan would be 75% on a 25-year amortization period at a fixed interest rate of 7.0% or 4.0%. Some institutions may approve different loan to ratio values which would increase or decrease the monthly mortgage payments modelled in this section. The rest of the assumptions are outlined in the **Table 5** below.

Construction costs for the secondary suites and cottages are based on a survey conducted by New Commons to local builders on the SGI in early 2022. To account for the increase in construction costs from 2022 to late 2023, the costs were adjusted by 5%. The multi-plex construction cost is based on a builder working on a similar SGI project in 2024. Builders on SSI and JdF were contacted as part of this study, but the response rate was limited. Note that these projects costs are for an average development model and construction costs may be higher or lower depending on the specific site or house (in the context of a renovation).

Table 5: Summary of Assumptions for Rental Housing Analysis

	Secondary Suite – Renovation	Secondary Suite – New	Cottage – New	Multi-Unit Building
Cost to Acquire Land	\$0	\$0	\$0	\$0
Unit Size (sq. ft.)	1-Bdrm: 600 sq.ft. 2-Bdrm: 969 sq.ft.	1-Bdrm: 600 sq.ft. 2-Bdrm: 969 sq.ft.	1-Bdrm: 600 sq.ft. 2-Bdrm: 969 sq.ft.	1-Bdrm: 600 sq.ft. 2-Bdrm: 850 sq.ft. 3-Bdrm: 1,100 sq.ft.
Construction Cost (\$/sq. ft.)	\$296	\$368	\$439	\$600
Contingency	5% of hard costs	5% of hard costs	5% of hard costs	8% of hard costs
Soft Costs	15% of hard costs	17% of hard costs	17% of hard costs	22% of hard costs
Construction Timeline	12 months	12 months	12 months	18 months
Vacancy Allowance	Half of one month's rent	Half of one month's rent	Half of one month's rent	Half of one month's rent

⁴ The analysis includes a small vacancy allowance equivalent to half a month's rent in each scenario to account for tenant turnover.

A limitation to this analysis is that the annual operating costs for each unit will vary in practice. While we have provided estimates of what the operating costs are, they will be dependent on what the individual landowner has budgeted for the rental unit. This is an important metric as the monthly mortgage payments plus the operating expenses are used to calculate whether the development meets the DSCR and what the landowner's return on equity is.

Another limitation to this analysis is that construction costs and development approval timelines will vary depending on the geography and builder. Some owners may want higher-end design and finishing, which will impact the cost to construct a rental unit. As the CRD's rural areas cover three different markets (SGI, SSI, and JdF), the cost variations and regulatory processes require more fine-grained market data. This analysis, however, uses general cost data in order to account for higher labour costs on the SGI and SSI. As such, the actual construction costs for each housing typology may be less on JdF.

Annual Returns / Covering Expenses Related to Operating Rental Housing

As shown in the accessory dwelling unit scenarios, the financial analysis solves for an annual return for landowners. While a developer profit is not built into the analysis, as would occur in typical development scenarios, the annual return here is a result of the excess net operating income to service debt and expenses (mortgage payments and operational expenses) as required by lending institutions when receiving the loan approval.

There are risks in taking out a loan to build or renovate any unit, in addition to the responsibility of operating a rental housing unit, and an annual return helps to understand what the landowner could earn on their investment converting their property into a rental unit. The annual return is a metric that helps landowners decide if they are better off investing their money at the bank or other investment.

If enough of a financial incentive were to be provided, the possibility of scaling up accessory dwelling units could be possible in CRD's Electoral Areas, although it would come down to the individual landowner and how they weigh the financial options.

3.1 Secondary Suites – Renovation

Base Scenario

This scenario models a secondary suite renovation with a unit size of 600 square feet (1-bedroom) and a unit size of 969 square feet (2-bedroom unit). The monthly operating expenses for both the units are estimated to be \$165 to \$215 which includes vacancy allowance, property tax, home insurance, interior maintenance, and capital reserve fund.

Table 6 below shows the results of the analysis. The total project costs across the 7.0% and 4.0% interest rate scenarios do not vary much, however, it changes the required rents drastically between the scenarios. This is because the threshold to service the debt (e.g., monthly mortgage payments) operating expenses is lowered when the mortgage payments are less.

Under the 7.0% interest rate scenario, assuming a minimum injection of 25% equity into the project, the landowner would need to set the monthly rent at \$1,487 for the 1-bedroom unit, which meets the market rental guideline for a 1-bedroom (\$1,500). The 2-bedroom unit would support a monthly rent of \$2,326 which is above the market rental guideline for a 2-bedroom unit (\$1,950). The rents under the 4.0% interest rate scenario are lower.

As mentioned in Section 3.0, these projects costs are for an average secondary suite renovation. It is important to recognize that the costs could be lower or higher depending on the individual house's structural base and other conditions.

Table 6: Secondary Suite Renovation (Base Scenario)

	7.0% Interest Rate (Mortgage)		4.0% Interest Rate (Mortgage)	
	1-Bedroom	2-Bedroom	1-Bedroom	2-Bedroom
Total Project Costs	\$223,773	\$361,392	\$221,337	\$357,459
Equity Required	\$55,943	\$90,348	\$55,334	\$89,365
Loan-to-Value Ratio (LTV)	0.75	0.75	0.75	0.75
Principal Mortgage Amount	\$169,656	\$273,994	\$167,221	\$270,061
Mortgage Payment (Monthly)	\$1,188	\$1,919	\$880	\$1,421
Operating Expenses incl. Vacancy Allowance (Monthly)	\$180	\$215	\$165	\$190

	7.0% Interest Rate (Mortgage)		4.0% Interest Rate (Mortgage)	
Debt Service Coverage Ratio (DSCR)	1.1	1.1	1.1	1.1
Annual Return	\$1,426 or 2.5% on equity	\$2303 or 2.5% on equity	\$1,056 or 1.9% on equity	\$1,705 or 1.9% on equity
Rent Required to Cover Operations and Mortgage Payment (Monthly)	\$1,487	\$2,326	\$1,132	\$1,753

While we assume the developer profit will be 0% in the base scenario, the DSCR of 1.1 means the developer will receive \$1,402 in profit for the first year of operation for a 1-bedroom unit, barring the absence of any major vacancies. This is equivalent to an annual return of 2.5% on the equity contributed by the landowner.

The 4.0% interest rate scenario shows an improved outlook on required monthly rents. Both the 1-bedroom rent (\$1,122) and 2-bedroom unit rent (\$1,737) are closer to the respective market rental guidelines.



Subsidized Scenario: 1-Bedroom

As mentioned earlier at the start of Section 3.0, there are two equity approaches in which secondary suite renovations could be subsidized.

Since the base scenario yields a rent that meets the market rent guideline, **Table 7** below shows how incremental additional grants could deepen the affordability to below market rents. If a grant with a contribution amount of between \$40,000 and \$50,000 were to be provided by the CRD or another entity, the SGI and SSI threshold for below market rent of \$1,000 (1-bedroom) is met. For JdF, the below market rent of \$1,250 could be met with a grant of approximately \$30,000.

At the higher grant levels, however, the annual return on the landowner's equity decreases. As such, even though additional grants may increase the affordability of the rent, it may not necessarily be enough of a financial incentive for a landowner to build and operate a secondary suite. The alternative equity approach, Scenario 2B, presented later in this section creates a scenario where there is more financial incentive for a landowner to take on debt and renovate a unit.

Table 7: Landowner-Led Equity Distribution (Scenario 2A) in Secondary Suite Renovation, 1-Bedroom at 7.0% Interest Rate

Grant/ Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$55,943	\$1,487	\$0	\$1,426	2.5%
\$10,000	\$55,831	\$1,404	\$84	\$1,338	2.4%
\$20,000	\$55,722	\$1,322	\$165	\$1,253	2.2%
\$30,000	\$55,610	\$1,238	\$249	\$1,165	2.1%
\$40,000	\$55,500	\$1,156	\$331	\$1,080	1.9%
\$50,000	\$55,388	\$1,073	\$415	\$992	1.8%
\$60,000	\$55,276	\$989	\$498	\$905	1.6%

*Rounded to the nearest \$1,000 for illustrative purposes.

To illustrate the impact of grant funding under a 4.0% interest rate scenario, **Table 8** shows the rent for a renovated 1-bedroom secondary suite could be lowered to \$1,010 with a \$20,000 grant (compared to a \$40,000 to \$50,000 grant under the 7.0% interest rate).

Table 8: Landowner-Led Equity Distribution (Scenario 2A) in Secondary Suite Renovation, 1-Bedroom at 4.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$55,334	\$1,132	\$0	\$1,056	1.9%
\$10,000	\$55,260	\$1,070	\$62	\$991	1.8%
\$20,000	\$55,187	\$1,010	\$123	\$927	1.7%
\$30,000	\$55,112	\$948	\$184	\$863	1.6%
\$40,000	\$55,039	\$887	\$245	\$799	1.5%
\$50,000	\$54,964	\$825	\$307	\$735	1.3%
\$60,000	\$54,889	\$763	\$369	\$670	1.2%

*Rounded to the nearest \$1,000 for illustrative purposes.

To make the opportunity more attractive to landowners, **Table 9** below demonstrates the top up equity approach (Scenario 2B) for the 1-bedroom secondary suite renovation.

A 20% equity contribution (\$44,755) from the landowner and 5% equity from grant funding (\$11,189) would support the same monthly rent as Scenario 2A with no grant funding (\$1,487). This scenario, however, offers a higher annual return on equity (3.2% at 5%) and offers a lower downpayment barrier which may be more attractive for landowners.

Table 9: Top Up Equity Distribution (Scenario 2B) in Secondary Suite Renovation, 1-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$11,189	20%	\$44,755	\$1,487	\$1,426	3.2%
10%	\$22,377	15%	\$33,566	\$1,487	\$1,426	4.2%
15%	\$33,566	10%	\$22,377	\$1,487	\$1,426	6.4%
20%	\$44,755	5%	\$11,189	\$1,487	\$1,426	12.7%

The advantage in this approach is with more funding is provided, the higher the annual returns are provided to the landowner (as their equity contribution lessens). At 10% funding (\$22,377), the annual return on the landowner's investment is 4.2% which may be comparable to common investment options offered by banks in today's market conditions.

Table 10 below shows the same top-up equity approach but under the 4.0% interest rate scenario.

Table 10: Top Up Equity Distribution (Scenario 2B) in Secondary Suite Renovation, 1-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$11,067	20%	\$44,267	\$1,132	\$1,056	2.4%
10%	\$22,134	15%	\$33,201	\$1,132	\$1,056	3.2%
15%	\$33,201	10%	\$22,134	\$1,132	\$1,056	4.8%
20%	\$44,267	5%	\$11,067	\$1,132	\$1,056	9.5%



Subsidized Scenario: 2-Bedroom

For a 2-bedroom secondary suite renovation, **Table 11** below summarizes how incremental grant contributions can decrease the monthly rent. At a grant contribution of between \$40,000 to \$50,000, the market rental guideline for a 2-bedroom unit (\$1,950) can be reached for the rural areas.

Table 11: Landowner-Led Equity Distribution (Scenario 2A) in Secondary Suite Renovation, 2-Bedroom at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$90,348	\$2,326	\$0	\$2,303	2.5%
\$10,000	\$90,236	\$2,242	\$84	\$2,215	2.5%
\$20,000	\$90,126	\$2,160	\$166	\$2,129	2.4%
\$30,000	\$90,016	\$2,078	\$248	\$2,043	2.3%
\$40,000	\$89,906	\$1,996	\$330	\$1,957	2.2%
\$50,000	\$89,793	\$1,912	\$414	\$1,870	2.1%
\$60,000	\$89,683	\$1,830	\$496	\$1,784	2.0%

*Rounded to the nearest \$1,000 for illustrative purposes.

Table 12 below shows the incremental grant contribution deepen the affordability of the rents under the 4.0% interest rate scenario. For instance, a \$10,000 grant could support a monthly rent of \$1,691 for a 2-bedroom secondary suite renovation.

Table 12: Landowner-Led Equity Distribution (Scenario 2A) in Secondary Suite Renovation, 2-Bedroom at 4.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$89,365	\$1,753	\$0	\$1,705	1.9%
\$10,000	\$89,290	\$1,691	\$62	\$1,640	1.8%
\$20,000	\$89,159	\$1,582	\$171	\$1,526	1.7%
\$30,000	\$89,055	\$1,496	\$257	\$1,436	1.6%
\$40,000	\$88,952	\$1,411	\$342	\$1,347	1.5%
\$50,000	\$88,850	\$1,326	\$427	\$1,258	1.4%
\$60,000	\$88,746	\$1,240	\$513	\$1,168	1.3%

*Rounded to the nearest \$1,000 for illustrative purposes.

Table 13 and **Table 14** below demonstrates the impact of increasing the share of grant funding towards a fixed 25% equity (Scenario 2B) under different economic conditions. Under the 7.0% interest rate, a grant contribution of approximately 10% or \$36,139, the annual return on the landowner's equity is 4.2% which is improved from Scenario 2A.

Table 13: Top Up Equity Distribution (Scenario 2B) in Secondary Suite Renovation, 2-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$18,070	20%	\$72,278	\$2,326	\$2,303	3.2%
10%	\$36,139	15%	\$54,209	\$2,326	\$2,303	4.2%
15%	\$54,209	10%	\$36,139	\$2,326	\$2,303	6.4%
20%	\$72,278	5%	\$18,070	\$2,326	\$2,303	12.7%

As noted previously, the monthly rent is substantially lower under the 4.0% interest rate scenario as shown in **Table 14** below.

Table 14: Top Up Equity Distribution (Scenario 2B) in Secondary Suite Renovation, 2-Bedroom at 4.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$17,873	20%	\$71,492	\$1,753	\$1,705	2.4%
10%	\$35,746	15%	\$53,619	\$1,753	\$1,705	3.2%
15%	\$53,619	10%	\$35,746	\$1,753	\$1,705	4.8%
20%	\$71,492	5%	\$17,873	\$1,753	\$1,705	9.5%

Stacking Incentives for Accessory Dwelling Units

In October 2023, BC Housing announced the Secondary Suite Incentive Program (SSIP). The program rebate is available for eligible new legal self-contained units with a kitchen and full bathroom (i.e., excludes improvements to existing rental units) and laneway homes / garden suites. The SSIP is intended to help homeowners create new affordable rental housing in their communities through the provision of a rebate in the form of a forgivable loan for 50% of renovation costs, to a maximum of \$40,000. A full summary of the eligibility requirements can be found in Appendix A and on BC Housing's website.

While the SSIP is only open for properties located within the 161 incorporated municipalities in BC, and therefore not applicable to properties located in CRD's Electoral Areas, a forgivable loan similar to this would stack well with potential contributions from the CRD to make the grant dollars go further, and to provide more affordable housing units in CRD's rural areas.

3.2 Secondary Suites – New Construction

Base Scenarios

The base scenarios model the construction of a new secondary suite with a unit size of 600 square feet (1-bedroom) and 1,000 square feet (2-bedroom). The monthly operating expenses for both unit types are estimated to be between \$175 to \$238 which includes vacancy allowance, property tax, home insurance, interior maintenance, and capital reserve fund.

The construction cost for new secondary suites is based on a survey with local builders. While we are modelling a higher construction cost for new suites than for the renovation of a suite, it is possible that a renovation of a suite could cost more. The actual project cost of each specific case will depend on the physical condition of the house.

Table 15 below shows the results of the analysis. Under the higher interest rate scenario (7.0%), the required rent to support the 1-bedroom unit, at \$1,837, is close to the market rental guideline for a 1-bedroom (\$1,500). The 2-bedroom unit, at a monthly rent of \$2,891, may be considered affordable for an annual household income of \$115,600 which is above the median renter household incomes across SGI, SSI and JdF. These rents are lower under the 4.0% interest rate scenario.

Table 15: Secondary Suite New Construction (Base Scenario)

	7.0% Interest Rate		4.0% Interest Rate	
	1-Bedroom	2-Bedroom	1-Bedroom	2-Bedroom
Total Project Costs	\$281,295	\$454,291	\$278,234	\$449,347
Equity Required	\$70,324	\$113,573	\$69,559	\$112,337
Loan-to-Ratio Value (LTV)	0.75	0.75	0.75	0.75
Principal Mortgage Amount	\$213,267	\$344,426	\$210,206	\$339,482
Mortgage Payment (Monthly)	\$1,494	\$2,412	\$1,106	\$1,785
Operating Expenses incl. vacancy allowance (Monthly)	\$194	\$238	\$175	\$208
Debt Service Coverage Ratio (DSCR)	1.1	1.1	1.1	1.1
Annual Return	\$1,793 or 2.5% on equity	\$2,895 or 2.5%	\$1,327 or 1.9%	\$2,143 or 1.9%
Rent Required to Cover Operations and Mortgage Payment (Monthly)	\$1,837	\$2,891	\$1,391	\$2,172



Subsidized Scenario: 1-Bedroom

Table 16 shows the landowner-led equity approach (Scenario 2A) coupled with incremental \$10,000 grants for the construction of a new secondary suite. If a grant with a contribution amount of approximately \$30,000 were to be provided by the CRD or by another entity, the required rent would be \$1,583, which is closest to the market rent guideline for a 1-bedroom (\$1,500).

Table 16: Landowner-Led Equity Distribution in New Secondary Suite (Scenario 2A), 1-Bedroom at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$70,324	\$1,837	\$0	\$1,793	2.5%
\$10,000	\$70,211	\$1,752	\$85	\$1,704	2.4%
\$20,000	\$70,099	\$1,669	\$168	\$1,617	2.3%
\$30,000	\$69,984	\$1,583	\$254	\$1,527	2.2%
\$40,000	\$69,872	\$1,500	\$337	\$1,440	2.1%
\$50,000	\$69,761	\$1,416	\$421	\$1,353	1.9%
\$60,000	\$69,649	\$1,333	\$504	\$1,266	1.8%

*Rounded to the nearest \$1,000 for illustrative purposes.

Under a 4.0% interest rate scenario, the monthly rents for a new 1-bedroom secondary suite would be within the market rent guideline (\$1,500) as shown in **Table 17** below.

Table 17: Landowner-Led Equity Distribution in New Secondary Suite (Scenario 2A), 1-Bedroom at 4.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$69,559	\$1,391	\$0	\$1,327	1.9%
\$10,000	\$69,483	\$1,329	\$63	\$1,261	1.8%
\$20,000	\$69,409	\$1,267	\$124	\$1,197	1.7%
\$30,000	\$69,332	\$1,204	\$188	\$1,130	1.6%
\$40,000	\$69,257	\$1,142	\$250	\$1,066	1.5%
\$50,000	\$69,183	\$1,080	\$311	\$1,001	1.4%
\$60,000	\$69,108	\$1,018	\$373	\$937	1.4%

Table 18 and **Table 19** show that the annual returns for the landowner's equity will increase incrementally if grant funding is used to top up the equity to 25% of total project costs (Scenario 2B).

Table 18: Top Up Equity Distribution in New Secondary Suite (Scenario 2B), 1-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$14,065	20%	\$56,259	\$1,837	\$1,793	3.2%
10%	\$28,130	15%	\$42,194	\$1,837	\$1,793	4.2%
15%	\$42,194	10%	\$28,130	\$1,837	\$1,793	6.4%
20%	\$56,259	5%	\$14,065	\$1,837	\$1,793	12.7%

Table 19: Top Up Equity Distribution in New Secondary Suite (Scenario 2B), 1-Bedroom at 4.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$13,912	20%	\$55,647	\$1,391	\$1,327	2.4%
10%	\$27,823	15%	\$41,735	\$1,391	\$1,327	3.2%
15%	\$41,735	10%	\$27,823	\$1,391	\$1,327	4.8%
20%	\$55,647	5%	\$13,912	\$1,391	\$1,327	9.5%



Subsidized Scenario: 2-Bedroom

Under the 7.0% interest rate scenario, if a grant with a contribution amount of \$60,000 were to be provided by the CRD or by another entity, the required rent would be \$2,400. This rent level would be considered affordable for an annual household income of \$96,000 (**Table 20**).

Table 20: Landowner-Led Equity Distribution in New Secondary Suite (Scenario 2A), 2-Bedroom at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$113,573	\$2,891	\$0	\$2,895	2.5%
\$10,000	\$113,464	\$2,810	\$81	\$2,810	2.5%
\$20,000	\$113,353	\$2,727	\$164	\$2,723	2.4%
\$30,000	\$113,244	\$2,646	\$246	\$2,638	2.3%
\$40,000	\$113,135	\$2,565	\$327	\$2,553	2.3%
\$50,000	\$113,027	\$2,483	\$408	\$2,468	2.2%
\$60,000	\$112,915	\$2,400	\$491	\$2,382	2.1%

Under a 4.0% interest rate scenario, an approximate grant contribution of \$30,000 would bring the monthly rent down to the market rental guidelines for a 2-bedroom unit for the rural areas (as shown in **Table 21**).

Table 21: Landowner-Led Equity Distribution in New Secondary Suite, 2-Bedroom at 4.0% Interest Rate (Scenario 2A)

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$112,337	\$2,172	\$0	\$2,143	1.9%
\$10,000	\$112,261	\$2,109	\$63	\$2,077	1.9%
\$20,000	\$112,187	\$2,048	\$124	\$2,013	1.8%
\$30,000	\$112,111	\$1,985	\$187	\$1,947	1.7%
\$40,000	\$112,037	\$1,923	\$249	\$1,883	1.7%
\$50,000	\$111,961	\$1,860	\$312	\$1,817	1.6%
\$60,000	\$111,887	\$1,799	\$373	\$1,753	1.6%

Table 22 and **Table 23** below show the decreasing landowner equity needed as the share of grant funding increases.

Table 22: Top Up Equity Distribution in New Secondary Suite (Scenario 2B), 2-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$22,715	20%	\$90,858	\$2,891	\$2,895	3.2%
10%	\$45,429	15%	\$68,144	\$2,891	\$2,895	4.2%
15%	\$68,144	10%	\$45,429	\$2,891	\$2,895	6.4%
20%	\$90,858	5%	\$22,715	\$2,891	\$2,895	12.7%

Table 23: Top Up Equity Distribution in New Secondary Suite (Scenario 2B), 2-Bedroom at 4.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$22,467	20%	\$89,869	\$2,172	\$2,143	2.4%
10%	\$44,935	15%	\$67,402	\$2,172	\$2,143	3.2%
15%	\$67,402	10%	\$44,935	\$2,172	\$2,143	4.8%
20%	\$89,869	5%	\$22,467	\$2,172	\$2,143	9.5%

3.3 Cottage – New Construction

Base Scenario

This scenario models the construction of a new 1-bedroom cottage with a unit size of 600 square feet and a new 2-bedroom cottage with a unit size of 1,000 square feet. The monthly operating expenses for both units are estimated to be \$261 to \$330 which includes vacancy allowance (half month of rent), property tax, home insurance, interior maintenance, and capital reserve fund.

Table 24 below shows the results of the analysis. The required rent to support the 1-bedroom unit is \$2,616 which is above the market rental guideline for a 1-bedroom (\$1,500). At this rent level, the unit may be considered affordable for an annual household income of \$104,600 which is above the median renter household incomes across the rural areas. However, it is important to keep in mind that the project costs could be lower depending on the specific project and landowner (e.g., sweat-equity type of maintenance, casual labour during construction, conversion of an accessory building, etc.). The rents are lower in the 4.0% interest rate scenario.

Table 24: New Construction Cottage (Base Scenario)

	7.0% Interest Rate		4.0% Interest Rate	
	1-Bedroom	2-Bedroom	1-Bedroom	2-Bedroom
Total Project Costs	\$398,479	\$622,057	\$394,142	\$615,287
Equity Required	\$99,620	\$155,514	\$9,536	\$152,694
Loan-to-Value Ratio (LTV)	0.75	0.75	0.75	0.75
Principal Mortgage Amount	\$302,111	\$471,620	\$297,775	\$464,850
Mortgage Payment (Monthly)	\$2,116	\$3,303	\$1,566	\$2,445
Operating Expenses incl. vacancy allowance (Monthly)	\$289	\$330	\$261	\$303
Debt Service Coverage Ratio (DSCR)	1.1	1.1	1.1	1.1
Annual Return	\$2,539 or 2.5% on equity	\$3,964 or 2.5% on equity	\$1,880 or 1.9% on equity	\$2,934 or 1.9% on equity
Rent Required to Cover Operations and Mortgage Payment (Monthly)	\$2,616	\$3,979	\$1,965	\$2,993



Subsidized Scenario: 1-Bedroom

Table 25 below shows the landowner-led equity approach (Scenario 2A) coupled with incremental \$10,000 grants for the construction of a 1-bedroom cottage. If a grant with a contribution amount of \$60,000 were to be provided by the CRD or by another entity, the required rent would be closer, but still not within the range of market rent guideline for a 1-bedroom (\$1,500). This rent level would be considered affordable for an annual household income of \$84,700.

Table 25: Landowner Led Equity Distribution (Scenario 2A) in New Cottage, 1-Bedroom at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$99,620	\$2,616	\$0	\$2,539	2.5%
\$10,000	\$99,507	\$2,532	\$84	\$2,451	2.5%
\$20,000	\$99,399	\$2,451	\$165	\$2,367	2.4%
\$30,000	\$99,288	\$2,369	\$248	\$2,280	2.3%
\$40,000	\$99,177	\$2,286	\$330	\$2,194	2.2%
\$50,000	\$99,065	\$2,202	\$415	\$2,106	2.1%
\$60,000	\$98,952	\$2,118	\$499	\$2,018	2.0%

*Rounded to the nearest \$1,000 for illustrative purposes.

Under the 4.0% interest rate scenario, the monthly rents for the 1-bedroom cottage drop substantially. A grant contribution of \$60,000 would be required to bring the rents closer to the market rental guideline for a 1-bedroom unit (\$1,500), as shown in **Table 26**.

Table 26: Landowner Led Equity Distribution (Scenario 2A) in New Cottage, 1-Bedroom at 4.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$98,536	\$1,984	\$0	\$1,880	1.9%
\$10,000	\$98,460	\$1,922	\$62	\$1,814	1.8%
\$20,000	\$98,388	\$1,862	\$122	\$1,752	1.8%
\$30,000	\$98,314	\$1,800	\$183	\$1,688	1.7%
\$40,000	\$98,241	\$1,739	\$245	\$1,624	1.7%
\$50,000	\$98,165	\$1,677	\$307	\$1,559	1.6%
\$60,000	\$98,090	\$1,615	\$369	\$1,494	1.5%

*Rounded to the nearest \$1,000 for illustrative purposes.

Table 27 and **Table 28** shows that the annual returns for the landowner's equity will increase incrementally if grant funding is used to top up the equity to 25% of total project costs. In addition, the equity required by the landowner could be lowered with grant funding.

Table 27: Top Up Equity Distribution (Scenario 2B) in New Cottage, 1-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$19,924	20%	\$79,696	\$2,616	\$2,539	3.2%
10%	\$39,848	15%	\$59,772	\$2,616	\$2,539	4.2%
15%	\$59,772	10%	\$39,848	\$2,616	\$2,539	6.4%
20%	\$79,696	5%	\$19,924	\$2,616	\$2,539	12.7%

Table 28: Top Up Equity Distribution (Scenario 2B) in New Cottage, 1-Bedroom at 4.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$19,707	20%	\$78,828	\$1,984	\$1,880	2.4%
10%	\$39,414	15%	\$59,121	\$1,984	\$1,880	3.2%
15%	\$59,121	10%	\$39,414	\$1,984	\$1,880	4.8%
20%	\$78,828	5%	\$19,707	\$1,984	\$1,880	9.5%



Subsidized Scenario: 2-Bedroom

The development costs for a 2-bedroom cottage are the highest, and the rents in **Table 29** reflect this.

Table 29: Landowner Led Equity Distribution (Scenario 2A) in New Cottage, 2-Bedroom at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$155,514	\$3,979	\$0	\$3,964	2.5%
\$10,000	\$155,403	\$3,896	\$83	\$3,877	2.5%
\$20,000	\$155,292	\$3,813	\$166	\$3,790	2.4%
\$30,000	\$155,183	\$3,731	\$248	\$3,705	2.4%
\$40,000	\$155,071	\$3,648	\$331	\$3,618	2.3%
\$50,000	\$154,959	\$3,565	\$415	\$3,531	2.3%
\$60,000	\$154,851	\$3,484	\$495	\$3,446	2.2%

*Rounded to the nearest \$1,000 for illustrative purposes.

However, a decreased interest rate to 4.0% substantially drops the required rent by \$950 before any grant contributions to \$2,993 (**Table 30**). A grant contribution of \$60,000 could decrease the rent to \$2,626 (as shown in **Table 30**). While this rent is outside the market rental guideline for a 2-bedroom unit (\$1,950), it could potentially provide the incentive for a landowner to offset the site preparation costs for building a cottage⁵.

Table 30: Landowner Led Equity Distribution (Scenario 2A) in New Cottage, 2-Bedroom at 4.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)	Decrease in Supportable Rent (\$ monthly)	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$153,822	\$2,993	\$0	\$2,934	1.9%
\$10,000	\$153,747	\$2,931	\$62	\$2,870	1.9%
\$20,000	\$153,673	\$2,869	\$123	\$2,806	1.8%
\$30,000	\$153,601	\$2,809	\$183	\$2,743	1.8%
\$40,000	\$153,526	\$2,747	\$245	\$2,678	1.7%
\$50,000	\$153,452	\$2,686	\$307	\$2,613	1.7%
\$60,000	\$153,380	\$2,626	\$367	\$2,551	1.7%

*Rounded to the nearest \$1,000 for illustrative purposes.

⁵ Cottages on the Gulf Islands typically carry higher site preparation costs, and are dependent on the specific site

Table 31 and **Table 32** below show the impact of increasing the grant share of the 25% equity. Under the 7.0% interest rate scenario, a 10% equity contribution (or approximately \$62,206), the annual return on the landowner's equity could be attractive at 4.2% under the respective economic and interest rate conditions.

Table 31: Top Up Equity Distribution (Scenario 2B) in New Cottage, 2-Bedroom at 7.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$31,103	20%	\$124,411	\$3,979	\$3,964	3.2%
10%	\$62,206	15%	\$93,309	\$3,979	\$3,964	4.2%
15%	\$93,309	10%	\$62,206	\$3,979	\$3,964	6.4%
20%	\$124,411	5%	\$31,103	\$3,979	\$3,964	12.7%

Table 32: Top Up Equity Distribution (Scenario 2B) in New Cottage, 2-Bedroom at 4.0% Interest Rate

Grant/Fund		Landowner Equity		Rent (monthly)	Annual Return (\$)	Annual Return on Equity (%)
%	\$	%	\$			
5%	\$30,764	20%	\$123,057	\$2,993	\$2,934	2.4%
10%	\$61,529	15%	\$92,293	\$2,993	\$2,934	3.2%
15%	\$92,293	10%	\$61,529	\$2,993	\$2,934	4.8%
20%	\$123,057	5%	\$30,764	\$2,993	\$2,934	9.5%

3.4 Multiplex Rental Housing

Multi-unit rental housing development has historically been uncommon on SGI and limited on SSI because it is not a land use that is widely permitted. These housing developments are in a unique position as they could deliver much needed rental housing, however, at the same time, the development approval process is not configured to efficiently review this type of housing application optimally. As such, multi-unit development applications bear higher development costs during the application review process, which referred to as “pre-development costs” in this report.

A development application in the SGI and SSI must go through several government authorities for approval, including CRD, Islands Trust, Ministry of Transportation and Infrastructure, and Island Health, and extensive community consultation to meet various conditions at each approval stage (e.g., zoning, subdivision, etc.) prior to building permit approval. This review is more complex for more intense uses, such as multi-unit developments, to conduct proof of water, proof of septic, assess archaeological implications, assess vehicle traffic impact, and ensure environmental standards are met.

Three interviews were conducted with non-profit housing providers developing multi-units on the islands to understand the costs incurred during rezoning through to building permit⁶. Typically, a large portion of the **rezoning costs** in the rural areas are related to ensuring the development will be consistent with Islands Trust policies, and ensuring adequate servicing can be provided, often as on-site services for water and sewage disposal⁷. These costs vary from site to site. The following estimates of rezoning costs were provided in the interviews:

- Housing Provider #1: \$93,400
- Housing Provider #2: \$129,600
- Housing Provider #3: \$150,000

⁶ One out of the three development projects could only speak to rezoning costs.

⁷ This includes proving water availability and no big impacts to neighbouring wells over multiple rounds of testing, preliminary wastewater design and perc testing, arborist's assessment, Phase 1 ESA, Ecological Assessment (to inform restrictive covenant), survey (for site plan preparation), geotechnical investigation, completion of a water management plan involving civil and mechanical consultants, schematic design services, and legal fees associated with the development and review of the Housing Agreement and restrictive covenants with the Local Trust Committee.

These costs do not include time related to managing the project to ensure the right documentation was being provided and coordinated during the rezoning stage, such as development consultant fees and in-kind volunteer contributions from non-profit housing providers. Depending on the length of the rezoning process and whether there is development consultant support, the additional in-kind volunteer costs could be an estimated \$41,600⁸ annually for one full-time equivalent staff at a non-profit housing organization. Two interviewers noted that the rezoning process was lengthy and took around three (3) years for approval.

In addition to rezoning costs, multi-unit development projects in the rural areas can incur higher infrastructure costs prior to building permit approval. One housing provider indicated they budgeted \$400,000 to build an access road as part of the subdivision plan process, while another housing provider budgeted \$200,000 for related infrastructure.

Based on the information provided in the three interviews, the pre-development costs (i.e., rezoning costs plus infrastructure-related costs) can range anywhere from the low \$300,000 to \$500,000. These costs could vary depending on the specific site and development conditions. Funding from other levels of government for pre-development costs is not typically available for the rural areas because program eligibility often requires higher density development, such as multi-family buildings and not multi-plex buildings.

Despite the challenges posed by the high costs in the predevelopment stage and limited funding for multi-unit rental housing development projects in the rural areas, the availability of grant funding serves as a valuable resource to mitigate the financial burdens associated with the development approvals process, offering a positive opportunity for project advancement. The analysis below shows how grants of \$100,000 and \$200,000 can offset a portion of the pre-development costs and increase housing affordability. Providing pre-development funding also allows the housing provider to direct their own funds towards the required equity under other funding programs.

Base Scenario

This scenario models the construction of a new 10-unit multiplex (duplexes, and triplexes) with a mix of 1-bedroom (3 units), 2-bedroom (3 units) and 3-bedroom units (4 units). This scenario requires the prefabrication of larger components to occur off-island using structural insulated panels and insulated concrete forms. The monthly operating expenses for the unit are estimated to be around \$525 which includes vacancy allowance, property tax, home insurance, interior maintenance, and capital reserve fund.

⁸ Assuming an hourly wage of \$20 per hour as compensation.

Table 33 below shows the baseline scenario analysis results. The required rents to support the units are higher than the market rent guideline for each of the respective unit types. However, this is not atypical as multi-unit developments often require capital funding and operating subsidy to achieve affordable rents in most markets across BC. The table also shows an improved scenario where a 4.0% interest rate and alternative financing terms (50 year amortization period, 80% loan to value) are obtained.

Table 33: Landowner-Led Equity Distribution in 10-Unit Multiplex (Base Scenario)

	7.0% Interest Rate (Mortgage)	4.0% Interest Rate with Alternative Financing Terms (Mortgage)
Total Project Costs	\$7,315,929	\$7,211,977
Equity Required	\$1,828,982	\$1,442,395
Loan-to-Value Ratio (LTV)	0.75	0.80
Principal Mortgage Amount	\$5,568,841	\$5,814,307
Mortgage Payment (Monthly)	\$39,005 (total units)	\$22,299 (total units)
Operating Expenses incl. Vacancy Allowance (Monthly)	\$527	\$525
Debt Service Coverage Ratio (DSCR)	1.1	1.1
Annual Return	\$46,806 or 2.7% on equity	\$26,759 or 1.9% on equity
Rent Required to Cover Operations and Mortgage Payment (Monthly)	Average of \$5.77 per sq. ft. 1-Bdrm: \$3,461 2-Bdrm: \$4,904 3-Bdrm: \$5,769	Average of \$3.57 per sq. ft. 1-Bdrm: \$2,140 2-Bdrm: \$3,032 3-Bdrm: \$3,567



Subsidized Scenario: 10 Units

To model the impact of using grant funding to offset the rezoning costs, **Table 33** shows grant contributions of \$100,000 and \$200,000 for the 10-unit multiplex development. At a grant contribution of up to \$10,000 per door (i.e., a total of \$100,000), decreases the monthly rent by \$60, \$84, and \$99 for the 1-, 2- and 3-bedrooms, respectively. At a grant contribution of \$20,000 (i.e., a total of \$200,000), the monthly rent is decreased by \$118, \$167, and \$196 for the 1-, 2- and 3-bedrooms, respectively. These rents can be brought into a deeper level of affordability once additional funding programs are secured by the housing provider, which can offer provide capital and operational funding.

While the annual returns on the landowner's equity are higher in this scenario than in the secondary suites or cottage development, it requires a much bigger upfront equity contribution or ongoing operating subsidy. As such, the multi-plex rental projects are likely only attractive and/or suitable to developers with alternate investment return goals, particularly the non-profit sector. This is evident in affordable housing projects being built across the SGI and SSI as they are being led by non-profit housing organizations.

Table 34: Landowner Led Equity Distribution (Scenario 2A) in 10-Unit Multiplex at 7.0% Interest Rate

Grant/Fund (\$)*	25% Equity from Landowner (\$)	1-Bdrm	Rent (\$ Monthly) 2-Bdrm	3-Bdrm	Annual Return (\$)	Annual Return on Equity (%)
No Grant	\$1,828,982	\$3,461	\$4,904	\$5,769	\$46,806	2.6%
\$100,000	\$1,827,399	\$3,402	\$4,819	\$5,670	\$45,901	2.5%
\$200,000	\$1,825,854	\$3,344	\$4,737	\$5,573	\$45,018	2.5%

Some financing programs offer longer amortization terms, loan to value ratios up to 100%, and discounted interest rates⁹. To understand how a financing program similar to the Canada Mortgage Housing Corporation (CMHC) Rental Construction Financing Initiative (RCFi) would impact the multiplex in the scenario above, we model a 80% loan to value – as a starting equity requirement, which decreases with each incremental grant contributions – and an amortization period of 50 years in **Table 35**. The interest rate modelled in this scenario is 4.0%.

⁹ Discounted interest rates are typically offered in financing programs that require a percentage of the units to meet median household income in the community. For the RCFi program, 20% of units need to be below 30% of median household income in a community. Other funding programs with different eligibility criteria are available which include BC Housing's Community Housing Fund.

Table 35: Landowner Led Equity Distribution (Scenario 2A) in 10-Unit Multiplex with Alternate Financing Terms at 4.0% Interest Rate

Grant/ Fund (\$)*	25% Equity from Landowner (\$)	Rent (\$ Monthly)			Annual Return (\$)	Annual Return on Equity (%)
		1-Bdrm	2-Bdrm	3-Bdrm		
No Grant	\$1,442,395	\$2,140	\$3,032	\$3,567	\$26,759	1.9%
\$100,000	\$1,441,585	\$2,108	\$2,986	\$3,513	\$26,274	1.8%
\$200,000	\$1,440,794	\$2,077	\$2,942	\$3,461	\$25,801	1.8%

Under this improved scenario, the required rents are closer to the market rent guidelines. At a grant contribution of up to \$10,000 per door (i.e., a total of \$100,000), decreases the monthly rent by \$32, \$46, and \$54 for the 1-, 2- and 3-bedrooms, respectively. At a grant contribution of \$20,000 (i.e., a total of \$200,000), the monthly rent is decreased by \$63, \$90, and \$106 for the 1-, 2- and 3-bedrooms, respectively. As with the previous scenario, additional funding could be acquired by the housing provider to further deepen the affordability of the units.

While the RHP pre-development funding of \$100,000 or \$200,000 would not be able to offset the total estimated pre-development costs of a single development project, it allows the housing provider to move past certain stages of the development process and to redirect their initial funds towards another development cost. The effect is that it decreases the overall development costs, which improves project success and leads to lower required rents as shown in **Table 34** and **Table 35**.

While the rents in **Table 34** and **Table 35** may not meet the rental housing affordability guidelines upon completion, the rents secured at first tenancy will be held to controlled rent increases outlined in the housing agreement. Over the term of the housing agreement, these units would have below-market rents and be considered non-market housing units. Furthermore, the affordability could be deepened if additional funding programs beyond the RHP grant and the CMHC RCFi could be stacked.

3.4.1 Possible Cost Efficiencies in Multi-Unit Development

In addition to offsetting development costs through grants, the financial viability of a project can be increased by finding cost efficiencies through design and construction. While a higher density multi-unit development project (e.g., 20 units) was not modelled in this analysis, increasing the number of units would be beneficial from a financial perspective because it can lower the capital cost per unit as well as the operating costs per unit. The capital cost savings can only be found by placing more units into one building and distributing the cost of shared components (e.g., roof, walls, mechanical systems, etc.). If these units are distributed across plex-type buildings, such as in 10-unit multiplex example discussed above, then these cost efficiencies may be lost. The density allowance of lots is controlled through zoning and is a factor that is within the authority of local governments to change.

Some items in operational costs for multi-unit buildings are fixed and can be distributed at a lower cost per unit when the number of units are increased within a building. However, if the number of units in a building is too small, then the building cannot sustain full-time equivalent staff. In smaller multi-unit projects, this will drive up staffing costs in order to hire someone. While this is not a labour market issue that is unique to the CRD's rural areas, it is a challenge that can be lessened if more multi-unit buildings existed (to share resources across the same owner) or if more density were permitted on the development site.





Affordable Homeownership

4.0 Affordable Homeownership

Affordable homeownership programs in Canada are generally focused on assisting households within a certain income range to enter homeownership, which provides an opportunity to free up rental housing.

Securing affordable homeownership units at the local government level is not common in Canada. This could be attributed to the greatest housing need being in markets where ownership prices are high; however, it can also be attributed to the fact that the cost to subsidize affordable homeownership units is high.

Nonetheless, some municipalities have established their own programs or have obtained these units on an ad-hoc basis. The program rules vary depending on the administrator and, in recent years, the calculation of the resale value for affordable unit has become an even more important consideration as housing prices dramatically increase in some markets.

4.1 Rent-to-Own Options

Rent-to-own programs are viewed as an affordable homeownership program because it bypasses the need for a down payment: the rent paid by the tenant becomes the equity or downpayment required to purchase the house. The idea is to hold the property for the would-be buyer until they can save up what is needed to qualify for a conventional mortgage with a lending institution. The terms of a rent-to-own program vary and are set by the administrator. In general, it is an agreement between renters and property owners or investors to buy a home at a set price at a future deadline. The agreement is made up of a lease and an option to purchase.

4.1.1 Agreement Types

As rent-to-own programs are relatively new, there are generally only two types of rent-to-own agreements available to tenants in Canada¹⁰. These two agreement types are summarized below:

- **Lease-Purchase Agreement:** This type of agreement virtually guarantees that the tenant will purchase the home once their rent-to-own agreement is complete. These are usually designed to safeguard landlords, so they have a designated buyer.
- **Lease-Option Agreement:** This type of agreement gives the tenant the option of purchasing once the rent-to-own agreement is up and the rent they paid goes towards the equity contribution for a downpayment. While there is no obligation to purchase the home, the money the tenant has put towards the house will not be reimbursed. In that sense, it becomes more like a regular rental agreement.

4.1.2 Organizations Providing Rent-to-Own Options

In addition to the agreement type, there are three types of organizations in Canada who administer rent-to-own programs:

1. **Lending Institutions and Investors**
2. **Developers (*with funding from government*)**
3. **Public Sector Organization**

In some cases, the different types of organizations work together to provide rent-to-own financing for occupants. The biggest difference between the organizations, however, is the distinction between for-profit and non-profit. Having an investment return requirement changes the way the rent-to-own program is structured. This is because the initial mortgage (i.e., during the lease agreement period with the tenant and landlord) is held by the owner. As this owner is taking on risk, they could add additional fees, potentially in the form of higher interest rates and rents, to recover the cost of this risk.

The degree of risk and equity required to build and hold the initial mortgage for would-be buyers is likely why there are very few public sector organizations who administer rent-to-own builds. The authors of this report are only aware of one public sector organization who is developing and administering their rent-to-own units. The organization is a First Nation with specific program goals to house their members, and as such, there is no expectation to receive a return on their equity contribution. A complete list of the organizations researched is available in **Appendix A**.

¹⁰ Research was conducted on rent-to-own models in the United States of America; these models either follow similar program requirements and methodology as those in Canada, or are down payment matching programs.

4.1.3 Funding Opportunity: CMHC Rent-to-Own

In Canada, the only existing funding opportunity for publicly-owned rent-to-own programs is the Canada Mortgage and Housing Corporation (CMHC) Rent-to-Own funding stream nestled within the Affordable Housing Innovation Fund. This funding is directed to housing providers interested in developing, testing, and scaling innovative rent-to-own models and projects.

This program seeks to provide housing providers the resources to identify better ways of meeting housing challenges, including financing projects and developing funding models enable rent-to-own housing across Canada. As such, there are program fulfilment requirements related to capturing and sharing lessons learned to transfer knowledge. Eligible projects must also demonstrate innovation, affordability, financial sustainability, and safeguards to protect prospective homebuyers. A key outcome of this program is for participants to identify methods to calculate the resale value of rent-to-own units, as this is an emerging area of administering affordable homeownership programs.

The list of eligible recipients is broad and include municipalities, provinces, and territories; private sector developers and builders; non-profit housing providers and community housing organizations; and Indigenous governments and organizations.

4.1.4 Summary

Mechanisms for securing affordability

If there is not a measure in place to regulate property value increases between ownership change, the affordability of the unit can be lost after the first homeowner returns the house to the market. In the research examples, the resale value of the rent-to-own units were not restricted after the first homeowner. As such, the CMHC Innovation Fund program requires there to be a clear methodology for determining future sale price.

Benefits of rent-to-own

Rent-to-own programs require an initial investor who is willing to front-end the project with equity needed to build the project. A successful rent-to-own program brings new rental units into a market that could become ownership units, which free up rental units for other households in the community, and offers an opportunity for households to purchase a house when they otherwise may not be able to afford homeownership.

Limitations of rent-to-own

The limitation to the rent-to-own concept is that the program will vary depending on the policy or investment goal. For instance, some investors may require a return on equity for taking on this risk, which can be built into the rent required or interest rate, which effectively raises the costs for the tenant and eventual homebuyer. The benefit of owning a house is the opportunity for the homeowner to capitalize on any appreciation gains upon the sale of the house. The policy goal of such a program should be clear and transparent about whether it is to secure a non-market affordable unit or to enable the first homeowners to capitalize on the asset upon sale.

4.2 Down Payment Matching Options Programs

Down payment matching programs are offered by several organizations in Canada. The intent of these programs is to lower the down payment required for the eligible household by providing a supplementary down payment as a second mortgage. This in turn helps households to access a mortgage, lowers monthly mortgage payments (i.e., smaller principal mortgage amount), and lowers insurance premiums if the minimum downpayment is reached.

4.2.1 Options Ready Program

One of the more established down payment matching programs is offered by Options for Homes, a non-profit organization, and serves the Greater Toronto Area market. The **Options Ready Program** requires a minimum of 5% down payment from the applicant and will provide down payment support from 10% to 15% of the purchase price. As Options for Home is a non-profit organization, they forego the initial developer's profit on the construction of the house and use the equity towards matching the applicant's downpayment.

The Options Ready Program operates on a shared-equity approach. This means that upon sale of the unit, homeowners are required to pay back the second mortgage, any associated interest due on the second mortgage, and capital appreciation associated with the second mortgage. In addition, participants can keep any capital appreciation on their portion of the equity. Since this program relies on a market value increase of the house upon sale, it does not maintain affordability past the first owner.

An important distinction to note in the Options Ready Program is that any capital appreciation on the second mortgage amount is returned to Options for Homes, which is then re-invested into the community to build additional affordable homes. This program may work well in an area where the housing market is strong and there is a vested interest from a developer to provide this service.

4.2.2 Municipal Affordable Homeownership Programs

The City of Langford in British Columbia (BC) operates an Attainable Homeownership Program, with the most recent policy amendment in February 2023. It is intended to assist Langford residents earning less than \$150,000 in household income. The City provides a grant towards a 5% down payment for the housing unit¹¹. The grant amount varies based on the maximum purchase price set for the housing unit (e.g., 1-bedroom, 2-bedroom, and 3-bedroom units) and the household income. The grants are as follows:

- Household Income of less than \$119,999: 75% of the 5% downpayment
- Household Income of between \$120,000 and \$134,999: 50% of the 5%downpayment
- Household Income of between \$135,000 to \$150,000: 25% of the 5% downpayment

The attainable units under this program are provided by developers and must abide to construction requirements outlined in the program policy. The program restricts the resale value of the units for the first five years of the program, after which there are no restrictions. The inability to secure affordability for future users is a limitation in the program.

Given that the maximum purchase price for the largest unit (e.g., 3-bedroom unit) is \$499,000, the maximum grant available would be \$18,713 for a household earning less than \$119,999. This policy appears to work for apartment units in high cost of living markets (e.g., higher salaries).

The County of Simcoe in Ontario offers an **Affordable Homeownership Program**. It is intended to assist low-to-moderate income renter households located in Simcoe County. The County does not own or secure affordable homeownership units, instead it provides a 10% down payment assistance (to a maximum of \$50,000) to the eligible participant's preferred house on the market. The program has rules governing the eligibility of households for the program and applicants need to be pre-approved for a mortgage. The 10% down payment is offered as a 20-year, interest free, forgivable loan with the condition that the mortgage cannot be refinanced for a higher amount than the original. The program does not restrict capital appreciation upon sale of the property, meaning the affordability of the unit is not carried over to the next purchaser.

¹¹ The program participant cannot put more than a 5% downpayment (including City of Langford grant) towards the purchase of their house.

4.2.3 Funding Opportunity: BC Housing Affordable Home Ownership Program (AHOP)

The **Affordable Home Ownership Program** (AHOP) is administered by BC Housing with the goal of increasing affordable housing for middle-income households across BC. The program helps home purchasers to target a minimum down payment of 10% on the home's value.

Through this program, BC Housing provides home purchasers with an interest-free second mortgage, known as an AHOP Mortgage, toward the purchase of their home. The buyer is required to contribute a minimum of 5% on the first \$500,000 of the home value (10% downpayment is required on the remaining value of a purchase over \$500,000). The AHOP Mortgage is interest and payment-free for up to 25 years. AHOP units can be built using BC Housing's low interest interim construction financing and equity contributions.

The AHOP program requires a partnership between the project partners¹² – which typically consists of a developer and a local government – and BC Housing, which may not be suitable for every local government depending on their capacity to support the AHOP project. In addition, the intention of the AHOP is to reinvest the funds back into community, however it is not clear what this entails and how many addition units can be built. If no restrictions are placed on the AHOP units, then the affordability on the AHOP units could be lost once the unit is sold on the market.

Repaid AHOP Mortgage amounts are contributed to the local government where there is an agreement in place to help support more affordable homes within that local government. If there is no agreement in place between BC Housing and the local government, BC Housing will use the proceeds to help support more affordable homes in British Columbia.

¹² The term of "project partner" is loosely used in the BC Housing AHOP Framework, indicating flexibility in the program for who the local government partner can be. To date, the program uptake has been for five projects which are all located in a municipal jurisdiction.

4.2.4 Summary

Mechanisms for securing affordability

Mechanisms to secure affordability are not commonly implemented in the research examples. One approach that is used to secure affordability on affordable homeownership units is to restrict the resale value for a certain number of years after date of purchase. The City of Langford does this through the use of Housing Agreements adopted as a bylaw and registered on title.

Benefits of down payment matching

Down payment matching programs enable people who may not have been able to access homeownership the opportunity to do so and frees up rental housing for other households. The ability to utilize capital allows individuals to purchase an asset they may not otherwise be able to afford. Down payment matching programs – if allowing for up to 20% of purchase price – can also enable individuals to have lower mortgage payments which can support manageable cash flow. Additionally, insurance premiums are often reduced due to the higher down payment amount, providing individuals with access to more of their monthly income.

Limitations of down payment matching

The agreement language within down payment matching programs is vague regarding the role definition of all parties, namely: developers, individual private owner, the local government and other parties (e.g., BC Housing). It is also unclear what the municipality must commit to in order promote these partnerships and the risks that they must be willing to take on in engaging in the relationship.

There is also an amount of administrative burden in monitoring and enforcing these agreements, especially if affordability is to be maintained throughout the duration of the housing agreement. There are many stipulations about subleasing or selling units to ensure the objective of the program maintains its integrity. The responsibility of ensuring these units is not rented or sublet falls on the program partner (e.g., local government or funder).



Findings

5.0 Findings

This section highlights the key findings from the rental housing analysis and affordable homeownership research. This analysis demonstrates that there are a number of ways that funding can be used to increase the affordability of housing units or to provide an incentive to increase the number of housing units built.

It is important to note that these financial analysis scenarios represent one development cost for each housing typology. Variations in development costs will exist across properties in the CRD's rural areas, and the impact of grant funding may generate deeper affordability if the development costs are below what is modelled here. Considerations include lower operating costs, in-kind contributions by tenants and volunteers (e.g., sweat equity), or more casual labour crews.

To illustrate the potential reach of the program, and to compare opportunity across the housing types, this section allocates a theoretical affordable housing sum of \$5M, \$10M, and \$15M for each stream.

5.1 Partnerships

The analysis in this report reflects current market conditions, and a potential improved scenario where the interest rates are lowered to 4.0%. Despite this, we anticipate the RPH would be able to maximize the grant contributions if multiple government funding programs were stacked together. Below is an example of list of potential programs mentioned that are important for the CRD, senior levels of government, and housing non-profit housing providers in the CRD's rural areas to take note of:

- BC Rural Economic Diversification and Infrastructure Program
- CMHC Rental Construction Financing Initiative Program (RCFi)
- BC Housing Community Housing Fund
- BC Housing Secondary Suite Program
- BC Housing Affordable Homeownership Program (AHOP)

Some of these programs have eligibility criteria that preclude affordable housing development projects in the CRD's rural areas unless they are multi-family projects (i.e., not multi-plexes).

5.2 Mechanisms for Securing Affordability

As noted previously, the required rents are the starting rents for the first tenancy and annual increases will be controlled in exchange for the grants. To secure the affordability of homeownership or rental units over an extended period of time, a mechanism needs to be set up in order to prevent sale prices or rents from going to full market value between occupants. A housing agreement is the only legal tool available to local governments to secure the term, household income limits, housing prices or rents, and other restrictions to ensure affordability between users of affordable homeownership units.

Outside of housing agreements, further research is needed to understand whether additional tools are available to local governments, such as forgivable loans or partnerships with non-profit organizations who could sign a land lease agreement with individual landowners. The CRD is currently undertaking a Housing Agreement Program review which will help inform the implementation of the RHP.

5.3 Rental Housing Analysis

5.3.1 Secondary Suites – Renovation



1-Bedroom Unit

- The most financially viable rental housing to develop under current market conditions is the renovation of 1-bedroom secondary suites. This rental housing requires the least amount of equity, requires less approvals and construction, and can achieve and potentially exceed the bottom threshold of market rental rates for 1-bedroom units across the CRD's rural areas.
- A drawback to secondary suite renovations is that it is up to the individual landowner to invest in and operate. In Scenario 2A, under the 7.0% interest rate scenario, while the rent (\$1,487) is within the market rent guideline (\$1,500), the annual return of 2.5% on the landowner's initial equity of \$56,000 may not be competitive enough. As such, a greater financial incentive may be required to encourage landowners, either through stacking government funding programs or through the top up equity approach (i.e., Scenario 2B).
- The Scenario 2B top-up equity distribution model with grant funding of 15% equity (\$34,000) could lower the required landowner equity from \$56,000 to \$34,000 while maintaining the monthly rent at \$1,487 under the 7.0% interest rate scenario and \$1,132 under the 4.0% interest rate scenario.



2-Bedroom Unit

- With grant funding up to \$30,000 per door, under the following scenarios, the required monthly rents could be:
 - » 7.0% Interest Rate: \$2,078
 - » 4.0% Interest Rate: \$1,496
- Alternatively, a top-up equity distribution model with grant funding of 10% equity (\$36,000) could lower the required landowner equity from \$89,000 to \$54,000 while maintaining the monthly rent at \$2,288 under the 7.0% interest rate scenario and \$1,753 under the 4.0% interest rate scenario.

5.3.2 Secondary Suites – New Construction



1-Bedroom Unit

- A new secondary suite unit is the second most financially viable rental housing to develop under current market conditions.
- Under the 7.0% interest rate scenario, the construction of a new 1-bedroom secondary suite will require a monthly rent of \$1,837 which is slightly above the market rental guideline of \$1,500. However, the annual return of 2.5% may not be competitive enough for all landowners to invest the initial equity of \$70,000.
- With grant funding up to \$30,000 per door, under the following scenarios, the required monthly rents could be:
 - » 7.0% Interest Rate: \$1,583
 - » 4.0% Interest Rate: \$1,204
- Alternatively, a top-up equity distribution model with grant funding of 10% equity (\$28,000) could lower the required landowner equity from \$70,000 to \$42,000 while maintaining the monthly rent at \$1,837 under the 7.0% interest rate scenario and \$1,391 under the 4.0% scenario.



2-Bedroom Unit

- With grant funding up to \$30,000 per door, under the following scenarios, the required monthly rents could be:
 - » 7.0% Interest Rate: \$2,646
 - » 4.0% Interest Rate: \$1,985
- Alternatively, a with grant funding of 10% equity (\$45,000) could lower the required landowner equity from \$114,000 to \$68,000 while maintaining the required rent at \$2,891 under the 7.0% interest rate scenario and from \$112,000 to \$67,000 while maintaining the required rent at \$2,172 under the 4.0% scenario.

5.3.3 Cottages – New Construction



1-Bedroom Unit

- After secondary suite renovations and new suite construction, cottage units are the third most financially viable rental housing to develop under current market conditions.
- With grant funding up to \$60,000 per door, under the following scenarios, the required monthly rents could be:
 - » 7.0% Interest Rate: \$2,118
 - » 4.0% Interest Rate: \$1,615
- The biggest cost barrier to cottages is the site preparation required and the installation of septic systems which can cost \$50,000 or more per site.
- Alternatively, a top-up equity distribution model with grant funding of 10% equity (\$40,000) could lower the required landowner equity from \$100,000 to \$60,000 while maintaining the required rent at \$2,616 under the 7.0% interest rate scenario and \$99,000 to \$59,000 while maintaining the required rent at \$1,984 under the 4.0% scenario.



2-Bedroom Unit

- With grant funding up to \$60,000 per door, under the following scenarios, the required monthly rents for a new build 2-bedroom cottage would be:
 - » 7.0% Interest Rate: \$3,484
 - » 4.0% Interest Rate: \$2,626

- The equity needed to build a 2-bedroom cottage is high (~\$156,000 at 25% contribution), and may be less accessible to a broader range of landowners than a 1-bedroom cottage. A top-up equity distribution model with grant funding could lower the barrier to building 2-bedroom cottages by providing a financial incentive to landowners.
 - » Grant funding of 10% equity (\$61,000) could lower the required landowner equity from \$156,000 to \$93,000 while maintaining the required rent at \$3,979 under the 7.0% interest rate scenario and from \$154,000 to \$92,000 while maintaining the rent at \$2,934 under the 4.0% scenario.

5.3.4 Multiplex Rental Housing – New Construction

- The 10-unit rental housing is made up of duplexes and triplexes and is intended to represent one type of multi-unit building. This analysis signals a strong need for government grants to increase the affordability of multi-unit rental housing projects in CRD's rural areas as construction costs are high across all housing types (e.g., ground-oriented and multi-unit).
- Our analysis models an initial required equity of \$1.8 million under the current interest rate of 7.0%. The pre-development costs (i.e., rezoning costs related to prove servicing and environmental standards, plus infrastructure-related costs during the subdivision and building permit process) can range anywhere from the low \$300,000 to \$500,000. These costs could vary depending on the specific site and development conditions.
- With grant funding of \$10,000 per door (i.e., \$100,000), under the following scenarios without stacking additional funding programs, the required monthly rents could be lowered by:
 - » 7.0% Interest Rate:
 - 1-Bdrm: \$60
 - 2-Bdrm: \$85
 - 3-Bdrm: \$100
 - » 4.0% Interest Rate, 50 year amortization period, 80% Loan to Value:
 - 1-Bdrm: \$32
 - 2-Bdrm: \$46
 - 3-Bdrm: \$54

- With grant funding of \$20,000 per door (i.e., \$200,000), under the following scenarios without stacking additional funding programs, the required monthly rents could be lowered by:
 - » 7.0% Interest Rate:
 - 1-Bdrm: \$118
 - 2-Bdrm: \$167
 - 3-Bdrm: \$197
 - » 4.0% Interest Rate, 50 year amortization period, 80% Loan to Value:
 - 1-Bdrm: \$63
 - 2-Bdrm: \$90
 - 3-Bdrm: 106

Benefits of Pre-Development Funding

- A CRD funding program to support pre-development costs such as professional reporting or infrastructure upgrades would increase the viability of multi-unit projects, especially those being advanced by the non-profit housing sector. Additional pre-development funding can support investment in key infrastructure such as well development, driveway construction, and/or professional reporting.
- The impact of the pre-development funding, along with the stacking of other potential grants offered (as outlined in Section 5.1) could encourage more housing providers to develop in CRD's rural areas by:
 - » Increasing the equity in the project by providing grant funding – which opens up opportunities to secure other funding and lowers required rents;
 - » Decreasing the high financial threshold that organizations need to fundraise for multi-unit developments, and therefore lowering the barrier for organizations to pursue these development concepts.

5.4 Affordable Homeownership Analysis

5.4.1 Rent-to-Own

- Rent-to-own program terms and conditions will vary depending on the individual project and in most cases, the affordability of the home is lost after the unit is returned to the market after the first owner, unless a mechanism is put in place to maintain affordability between users.
- As the average 2021 housing price across the SGIs is \$767,500 and the cost to build a single unit in a multi-unit dwelling is around \$700,000, the initial equity required to take out a mortgage for a rent-to-own unit could be a barrier. Without an initial investor who is willing to provide equity for the development of rent-to-own dwellings, the program reach for this stream would be low, as the CRD or another organization would be responsible for taking the unit off the market to maintain affordability.
- While rent-to-own programs can include lower density forms of housing, the program is most cost effective with multi-unit buildings because government grants can be used to lower the development price, resulting in a lower purchasing price of the units.

5.4.2 Down Payment Matching

- Down payment matching programs enable people who may not have been able to access homeownership the opportunity to do so. However, depending on the home purchase price, the equity required can be high and may be a less effective use of funds (if provided) when compared to other rental housing options in this study (e.g., cottages, secondary suites).
- Similar to rent-to-own programs, if the policy goal is non-market affordable housing past the initial owner, a mechanism needs to be put in place to ensure the unit does not revert to market value upon sale of the property.

5.5 Potential Reach of the Rural Housing Program

Given the findings above, if the RHP were to carry a hypothetical reserve of \$5.0 million to \$15 million, then the investment dollars should be allocated in a way that maximizes the reach of the program.

Table 36 below illustrates a funding allocation of 75% for rental housing and 25% for affordable homeownership, distributed as follows:

- **Secondary Suite, Renovations:** \$30,000 per door (1- and 2-bedrooms)
- **Secondary Suite, New Construction:** \$30,000 per door (1-bedroom) and \$60,000 per door (2-bedrooms)¹³
- **Cottage, New Construction:** \$60,000 per door (1- and 2-bedrooms)
- **Multi-Unit:** \$10,000 per door (all unit types)
- **Rent-to-own:** 10% of downpayment or \$76,750 in this instance¹⁴
- **Downpayment matching program:** 10% of downpayment or \$76,750 in this instance¹⁵

Using this distribution under the \$5.0 million program outreach, a total of 165 affordable units would be supported:

- **Secondary Suite, Renovations:** 33 units
- **Secondary Suite, New Construction:** 22 units
- **Cottage, New Construction:** 29 units
- **Multi-Unit:** 75 units
- **Rent-to-own:** 3 units
- **Downpayment matching program:** 3 units

¹³ A 50/50 split is assumed as the distributed share of 1-bedroom and 2-bedroom secondary suites in the new construction category.

¹⁴ Assumes 10% of the average housing sales price for an older home – approximately \$767,500 across the SGI in 2021 – or 10% of the construction price for a new multi-unit dwelling (e.g., plex). This assumes there would be a program administrator and an investor willing to assume the risk of taking the unit off the market during the period where the program participant rents the house.

¹⁵ Same as Footnote 14, except the program participant would be responsible for purchasing the house under a housing agreement at the outset.

Table 36 below breaks this out further under a \$5.0 million, \$10 million, and \$15 million funding reserve.

Table 36: Potential Funding Allocation Under the Rural Housing Program

	\$5 Million			\$10 Million			\$15 Million		
	Funding Allocation (%)	Funding Amount (\$)	Estimated Number of Units Supported	Funding Allocation (%)	Funding Amount (\$)	Estimated Number of Units Supported	Funding Allocation (%)	Funding Amount (\$)	Estimated Number of Units Supported
Secondary Suite – Renovation	20%	\$1,000,000	33.0	20%	\$2,000,000	66	20%	\$3,000,000	100
Secondary Suite – New Construction	20%	\$1,000,000	22.0	20%	\$2,000,000	44	20%	\$3,000,000	66
Cottage – New Construction	35%	\$1,750,000	29.0	35%	\$3,500,000	58	35%	\$5,250,000	87
Multi-Unit	15%	\$750,000	75	15%	\$1,500,000	150	15%	\$2,250,000	225
Rent-to-Own	5%	\$250,000	3.0	5%	\$500,000	6	5%	\$750,000	9
Down Payment Matching Program	5%	\$250,000	3.0	5%	\$500,000	6	5%	\$750,000	9
Total	100%	\$5,000,000	165	100%	\$10,000,000	330	100%	\$15,000,000	496



Recommendations

6.0 Recommendations

Based on the analysis findings, we recommend six (6) strategies for the CRD when developing and implementing the RHP. Community engagement is recommended to inform the potential uptake of the program and to understand which incentives are most attractive to landowners.

Recommendation 1

- **The RHP should prioritize allocating funding to projects in CRD's rural areas where housing would have otherwise not been created.** While single-detached houses and accessory dwelling units are permitted across SGI and SSI, the uptake to build accessory dwelling units has been slow. Previous studies have shown there is market demand for rental housing on the SGI and SSI, however, there has not been enough incentive or funding available to encourage developers and landowners to fill the market gap.

Recommendation 2

- **Secondary suites have the biggest potential to scale up in unit numbers when coupled with grant funding.** It is recommended that secondary suites receive the highest allocation of funding as it shows that secondary suites have the biggest potential to scale up in unit numbers when coupled with grant funding, making it the most effective use of funding. However, consideration should be given to cultural preferences and whether there would be strong market demand to build these units.

Recommendation 3

- **Cottages have potential to scale up in number of units and may be suitable for middle income households and residents in rural communities.** It is recommended that cottages receive the second highest allocation of funding. Due to the high costs to develop cottages, the program reach may be lessened if development costs are too high or if rents are not affordable for a median-earning renter household. In addition, collaborating with different development approval authorities to create a pre-approved design for cottages, including septic system design, can deepen affordability.

Recommendation 4:

- **Multi-unit buildings should receive the third highest allocation after secondary suites and cottages, as the projects are approved infrequently. Where possible, the stacking of government funding programs will bring deeper affordability to multi-unit developments, including the allowance of more units (e.g., higher density) into one building to realize cost efficiencies.**

Recommendation 5:

- **Entry-level homeownership programs should have smaller funding allocations as the investment costs are high and affordability is not guaranteed to carry over to the next user.** This program reach could be greater if coupled with partnerships or through existing funding programs.

Recommendation 6:

- **When reviewing applications under the Rural Housing Pilot Project, the CRD should take into consideration the following list of factors that impact the effectiveness of the grant.**
 - » Operating expenses will vary project by project, but is an important metric as it impacts how much revenue (e.g., rent) the landowner needs to cover all operational costs. A reasonable operating expense should be proposed.
 - » Different interest rates and amortization periods can dramatically alter the project finances. While we have modelled an interest rate reflecting the current market (7.0% interest rate), and an improved interest rate of 4.0%, a slight increase or decrease and a variance in the amortization period (25 years) will change the impact of any grant funding on the project.
 - » Variations in development costs will exist across properties in the CRD's rural areas, and the impact of grant funding may generate deeper affordability if the development costs are below what is modelled in this report.
 - » The term of the housing agreement should consider the initial grant amount.
 - » Tracking and monitoring rental costs for the secondary rental market in the CRD's rural areas to understand the benchmark market rents year over year in relation to the RHP rents.

Appendices

Appendix A

BC Housing Secondary Suite Incentive Program

The following summarizes eligibility requirements for BC Housing's Secondary Suite Incentive Program:

Homeowners

- Registered owner(s) must be Canadian citizens or permanent residents
- Live in the property as their primary home
- Combined gross annual income of homeowners on title of less than \$209,240 (in the previous tax year)

Properties

- Located within one of the 161 incorporated municipalities in BC
- Have a BC Assessment value below the homeowner grant threshold (\$2.125 million in 2023)

Secondary Suite

- New legal self-contained unit with a kitchen and full bathroom
 - » Improvements to *existing* rental units are ineligible
- Laneway homes / garden suites are eligible
- Received municipal building permits *on* or *after* April 1, 2023

Costs

All costs must be directly related to the creation of the new secondary suite and must be \$20,000 or more. Eligible costs include the following:

- Architectural and design fees
 - » Landscaping costs are ineligible
- Structural modification
- Electrical work
- Fixtures
- Appliances (50% of actual cost to a maximum of \$2,500)
- Building and trade permit fees
- Costs to obtain certificates, drawings and specifications directly related to eligible scope of work
- Materials related to the approved construction
 - » Extensions, conversions, repair, or replacement of items for the homeowner are ineligible
- Contractor labour (not including work done by Applicant or any member of the Household)
 - » Labour costs for work completed by the homeowner are ineligible
- PST and GST

The terms for loan forgiveness are as follows:

- The rebate amount and BC Housing legal costs of \$2,000 will be registered on title for 5 years as a forgivable loan;
- The new suite must be located on the same property where the homeowner lives and continues to be the principal residence;
- The new suite must be rented out at *below market rates*, as determined by BC Housing, for at least five years;
- The new suite was rented for at least 10 months in the preceding year and the tenancy is under an agreement compliant with the Residential Tenancy Act on a month-to-month or minimum 1-year fixed term tenancy; and
- The tenant is not an immediate family member (spouse, child, parent, or sibling) of the homeowner(s).

If the loan forgiveness requirements are met, the loan will be forgiven at 20% per year, inclusive of BC Housing's legal costs, over five years, when all SSIP requirements are met. Note that interest will accrue on the loan based on the current prime interest rate charged by the Royal Bank of Canada, plus 2.00%.

There are no payments required on either the principal or interest during the forgiveness period if the homeowner complies with the terms and conditions of the SSIP loan. In the event the homeowner does not comply with all the terms and conditions, the loan and any interest that has accrued will become payable on demand to BC Housing.

Appendix B

Rent-to-Own Research

Examples of select rent-to-own programs in Canada are broken down below.

- **Requity Homes:** Operates in Northern Ontario (Thunder Bay, Sault Ste. Marie, Sudbury and North Bay), Saskatchewan (Regina and Saskatoon), Alberta (Calgary and Edmonton), and Manitoba (Winnipeg). Requity purchases the home and allows the occupant to rent and save for the downpayment. Then, when the occupant is ready, they can buy back the home or cash out savings.
- **Clover Properties:** Operates throughout Ontario. The program offers 24, 36, or 48 month rent to own programs while tenants live in the home they will own at the end of the program term.
- **MB Rent-2-Own:** Operates in Alberta and Manitoba and targets people specifically who require improvements to their credit score in order to purchase a home. Much like Requity homes MB Rent-2-Own will purchase the home and work with the buyer through improving their credit. An initial deposit of 3% is required for this program
- **GVC Property Solutions:** Operates in the Lower Mainland and Fraser Valley British Colombia. Much like the previous examples, MB Rent-2-Own and Requity Homes, GVC property solutions purchases homes and offers them to the rent-to-own market. Within this program the purchaser puts a down payment of between \$5,000 and \$60,000. Typically, the rent-to- own agreement is 24 months long.
- **RTO Homes:** Operates in the Vancouver area through Apex Western Homes which is a contracting company located in the lower mainland. This program is also targeted to people who have a credit score that would prevent them from being eligible for a mortgage. A 5% down payment is typically required to partake in this program, and available listings are fed through Apex Western Homes.
- **HOS Financial Inc:** operates in Ontario and Quebec. The minimum down payment within this program is the greater of 3% or \$10,000. HOS Financial finds third party investors to purchase properties on the client's behalf. Typically, these agreements span three to five years.

- **JAAG:** Operates in Ontario and targets clients who require time and hands on support to improve their credit scores. This rent to own program typically spans a period of one to three years.
- **Sprout Properties:** Operates across Canada using lending partners. This program is between two and four years in length and requires a downpayment which is the greater of 3% or \$10,000. This program also requires a \$1000 commitment fee. This fee is also counted towards the purchase price.



Making a difference...together

January 17, 2024

Rural Housing Program Pilot Scoping (2024)

The Capital Regional District (CRD) Rural Housing Program is being developed with acknowledgement that solutions to the housing crisis in CRD's Electoral Areas need to be tailored to the rural context, this is especially true for the Salt Spring Island (SSI) and Southern Gulf Islands (SGI) which are within the Islands Trust Area, and have a special mandate to preserve and protect the environment.

The following provides an outline of a 2024 Rural Housing Program pilot project for the SSI and SGI Electoral Areas.

Proposed CRD Rural Housing Program 2024 Pilot Scoping Work:

1. Build Program to Support Pre-development Funding
 - Engage stakeholders to determine opportunity and anticipate cost to support pre-development work that includes undertaking technical studies and determining infrastructure requirements (including on-site servicing) for multi-unit affordable housing projects.
 - Program will be modelled after the Canada Mortgage and Housing Corporation Seed Funding Program and tailored for the CRD's Rural Housing Program (RHP) Pilot on SSI and SGI.
 - Program criteria will be based on project readiness and effective utilization of funds towards regulatory approvals. Priority will be given to non-profit proponents of affordable housing, with development applications under consideration by the CRD or Islands Trust, or subdivision applications under consideration by the Ministry of Transportation and Infrastructure.
2. Develop a Missing Middle/Accessory Dwelling Unit (ADU) Incentive Program¹ to create non-market housing across the secondary housing market (suites and cottages and missing middle housing typologies).
 - Program design will be guided by the recommendations in the "Rural Housing Pilot Project Analysis," (Urban Matters, 2024).
 - Work in 2024 will include community engagement to test the uptake of different program options, as well as develop criteria, program parameters, application forms, legal and financial reviews, etc. for program roll out in 2025.
 - In future years, subject to funding, the program will offer financial incentives for ADUs in exchange for housing agreements to secure non-market units.
3. In 2024, soft launch of the RHP will be supported by existing staff and supplemented by a program coordinator using Municipal and Regional District Tax Program funding.

¹ Electoral Areas are excluded from Provincial Secondary Suite Incentive Program.

urban
matters

MEMORANDUM

DATE: November 12, 2024
TO: Justine Starke, RPP, MCIP, Manager, Southern Gulf Islands Service Delivery – Capital Regional District
FROM: Jodee Ng, RPP, MCIP and Matt Thomson – Urban Matters CCC
FILE: 1692.0059.01
SUBJECT: **Capital Regional District – Rural Housing Pilot Project Analysis Update**

1.0 INTRODUCTION

The Capital Regional District retained Urban Matters CCC to provide an expanded update to the Rural Housing Pilot Project analysis that was conducted in early 2024. This update is to understand how a grant of \$40,000 will change the return expectations for potential homeowners seeking to build/renovate and rent out an accessory dwelling unit on the Southern Gulf Islands (SGIs) and Salt Spring Island (SSI) based on two different sets of maximum rents.

1.1 APPROACH TO ANALYSIS

The approach to analysis assumes that each unit cannot exceed the maximum starting rent for the corresponding number of bedrooms (i.e., bachelor/1-bedroom, 2-bedroom). The rents can be escalated annually by the permitted provincial rent increase if there is no change in tenancy¹. There are two sets of rent levels being tested for the unit types, as defined in Table 1 below. It is important to note these rents do not differentiate between secondary suites or standalone suite (e.g., cottage).

Table 1: Maximum Starting Rent by Unit Type

	Bachelor/1-Bedroom	2-Bedroom
Rent Affordability Limits ²	\$1,400	\$1,760
Below Market Rents Thresholds (SGIs, SSI) ³	\$1,000	\$1,250

¹ Per Part 3 of the BC Residential Tenancy Act, landlords may only raise rents by the annual allowable rent increase in accordance with the regulations. Since 2017, the average annual increase is 2.5% with each year's increase ranging from 0% up to 4%. For example, the 2025 rent increase limit for residential tenancies is 3%.

² As defined by BC Housing under the Secondary Suite Incentive Program: <https://www.bchousing.org/sites/default/files/media/documents/BC-RAHA-Rent-Affordability-Limit.pdf>. These rents are the CMHC average rent for the Victoria Census Metropolitan Area.

³ As defined in Section 2.2 of the Capital Regional District Rural Housing Pilot Project Analysis (2024) report: https://www.crd.bc.ca/docs/default-source/southern-gulf-islands-ea-pdf/crdruralhousingpilotprojectanalysis.pdf?sfvrsn=9f2afce_4. These below market rents are 80% below BC Housing's Housing Income Limits for Victoria (Greater Victoria Area) in 2023.

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The analysis also looks at resetting the maximum starting rents at the end of Year 5 to ‘**market rents**’⁴ which are rents based on SGI and SSI renter household incomes. This scenario assumes there would be a tenant changeover starting in Year 6. This is to compare how the ‘maximum rents’ compare to market rents after 5 years of tenancy.

These market rents are tailored to SGI and SSI renter household incomes of \$60,000 or higher, broken out by the number of bedrooms as shown below in Table 2. Note that these market rents are based on 2021 data, and as incomes grow over time, it is anticipated that market rents will increase incrementally.

Table 2: SGI and SSI Market Rent and Rent-to-Own Guidelines by Unit Type

	Bachelor/1-Bedroom	2-Bedroom
Market Rent and Rent-to-Own Guidelines	\$1,500	\$1,950

1.2 ASSUMPTIONS

With the exception of the maximum rents, required initial homeowners’ equity, and the grant amount tested, the remaining assumptions in this analysis remain the similar to the analysis conducted in early 2024. As a summary, the main assumptions are provided below and in Table 3 below.

Table 3: Assumed Unit Size and Construction Costs

	Cottage – New		Secondary Suite – New		Secondary Suite – Renovation	
	1-Bdr	2-Bdr	1-Bdr	2-Bdr	1-Bdr	2-Bdr
Unit Size (sq. ft.)	600	900	600	900	600	900
Construction Cost (\$/sq. ft.)	\$439		\$368		\$296	
Total Project Cost Per Unit*	\$393,000	\$614,000	\$277,000	\$448,000	\$220,000	\$357,000

*Rounded to the nearest thousand dollar, and includes financing fees and interest accumulated during construction period.

Unit Type

A cottage and a secondary suite are both self-contained suites with access to living facilities such as cooking, sleeping, and receiving mail. However, a *new* secondary suite is built as part of the construction of a new single-detached house, whereas a *renovation* of a secondary suite is the addition of a legal suite in an existing single-detached house.

⁴ Market rent as defined in Section 2.2 of the Capital Regional District Rural Housing Pilot Project Analysis (2024) report: https://www.crd.bc.ca/docs/default-source/southern-gulf-islands-ea-pdf/crd-rural-housing-pilot-project-analysis.pdf?sfvrsn=9f2afce_4.

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Unit Sizes

The financial analysis assumes that all 1-bedroom units will be 600 sq. ft. in size, and 2-bedroom units will be 900 sq. ft. in size. If there is a variation in the unit size, the capital costs to build the unit, as well as the return on the homeowner's equity would also change (note: this change in unit size variation is not tested in this analysis).

Homeowner's Equity

It is also assumed that the **initial homeowner's equity** will be set at 25% of the total capital cost to build or renovate the accessory dwelling unit.

Project Costs

The project costs for building a cottage, secondary suite, and for the renovation of a secondary suite are estimated on a square foot basis. These costs include financing fees (e.g., legal, appraisal, etc.) and interest accumulated during the construction period. The costs are estimates, and not exact figures, as it varies in each scenario depending on the amount of homeowner equity and grant is provided, as more equity decreases the borrowing costs.

2.0 ANALYSIS RESULTS

This section presents the analysis results and the estimated returns that a homeowner potentially might expect based on the assumptions around capital costs and total equity invested: **25% homeowner's equity** and a **\$40k grant** amount. The results demonstrate the potential return on the homeowner's equity under three scenarios:

1. Year 1 and Year 5 returns with no change in tenancy;
2. Increasing the \$40k grant to a \$80k grant; and
3. A change in tenancy at the end of Year 5.

The second component of the analysis assumes a homeowner could apply and successfully be eligible for a \$40k forgivable loan from BC Housing through the Secondary Suites Incentive Program⁵ while stacking an additional \$40k grant from another housing program.

2.1 1-BEDROOM ANALYSIS

In the first year of the unit being tenanted, the return on the homeowner's equity is positive for both the 1-bedroom new secondary suite (4.9%) and renovated secondary suite (11.3%)⁶ at the \$1,400 rent level. When the rent is offered at \$1,000, there is still a return at 2.6% for the renovated suite, however, the new secondary suite sees a negative return of -2.1%. (Table 4 below).

Table 4: Estimated Returns on Initial Homeowners' Equity, 1-Bedroom, \$40K Grant, Year 1

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build
\$1,400	-2.5%	\$393k	4.9%	\$277k	11.3%	\$220k
\$1,000	-7.4%	\$393k	-2.1%	\$277k	2.6%	\$220k

In the first year of the unit being tenanted, the return on the homeowner's equity for the 1-bedroom cottage does not bring a positive return on investment at these project costs.

When looking five years down the horizon, the same tenanted unit where rents started at \$1,400 and escalated at 2.5% annually, now have higher returns as follows (Table 5):

- For the 1-bedroom new secondary suite, the return has increased from 4.9% to 6.7%.

⁵ Provides a grant for both secondary suites and laneway houses/garden suite which have received a municipal building permit on or after April 1, 2023.

⁶ As mentioned in Section 1.2 of this report, a *new* secondary suite is part of the construction of a new single-detached house, whereas a *renovation* of a secondary suite is the addition of a legal suite in an existing single-detached house.

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- For the 1-bedroom renovated secondary suite, the return has increased from 11.3% to 13.3%.

Additionally, the 1-bedroom renovated secondary suite initially offered at \$1,000 in Year 1, has increased the return from 2.6% to 4.2%. However, the 1-bedroom new secondary suite at the lower rental rate of \$1,000 still sees a negative return on investment of -0.6%.

The financial analysis finds that the cottages at both levels of rent, \$1,400 and \$1,000, do not demonstrate a return on the homeowner's equity at -0.9% and -6.1%, respectively.

Table 5: Estimated Returns on Initial Homeowners' Equity, 1-Bedroom, \$40K Grant, Year 5

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build
\$1,400	-0.9%	\$393k	6.7%	\$277k	13.4%	\$220k
\$1,000	-6.1%	\$393k	-0.6%	\$277k	4.2%	\$220k

2.1.1 Increasing the Grant to \$80k

If the homeowner received an additional \$40k as a forgivable loan through BC Housing's Secondary Suites Incentive Program – for a total grant amount of \$80k – the Year 1 returns would increase across nearly all categories, notably (Table 6):

- From 4.9% to 8.9% for the new secondary suite at the \$1,400 rent level
- From 2.6% to 7.7% for the new secondary suite at the \$1,000 rent level

One-bedroom units that cost more than \$393k to build, and require a rent of \$1,400 see a slight return under the assumptions modelled in this analysis. Units that can be built at lower cost would see greater returns, for example, the renovated secondary suites demonstrate a return as high as 16.4% when the capital cost is \$220k per unit. The 1-bedroom cottage under the \$1,000 rent is the only scenario that does not provide a positive return.

Table 6: Estimated Returns on Initial Homeowners' Equity, 1-Bedroom, \$80K Grant, Year 1

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build
\$1,400	0.3%	\$393k	8.9%	\$277k	16.4%	\$220k
\$1,000	-4.6%	\$393k	2.0%	\$277k	7.7%	\$220k

2.1.2 Change in Tenancy

This section reviews a scenario where there is a tenant changeover at the end of Year 5, resulting in market rent, which is \$1,500 for the new tenants (Table 7). The analysis shows that the market rent is similar to the Rent

Affordability Limit of \$1,400 after 5 years (which grows to \$1,545). In other words, these units that are provided grants become the SGI and SSI market rent units after 5 years.

1-Bedroom Units Targeting \$1,400 in Year 1

At Year 6, rents for a 1-bedroom unit are reset from \$1,545 (\$1,400 plus 2.5% annual escalation for 4 years) to a SGI and SSI 'market rent' of \$1,500. This means that the return on newly occupied units **is lower** than for units that already have tenants. For landlords to recover any losses, the rent in Year 6 would need to be higher than \$1,500 (Table 7 below).

1-Bedroom Units Targeting \$1,000 in Year 1

For the units with rents of \$1,104 at the end of Year 5 (\$1,000 plus 2.5% annual escalation for 4 years), the rents are reset to SGI and SSI 'market rent' of \$1,500. This substantial increase in rent causes the returns **to increase** across all accessory dwelling units (e.g., cottages, new secondary suite and renovated secondary suite). However, as many of the returns are low in the first 5 years, uptake is unlikely on the units that cost more than \$220k to build.

Table 7: Change in Tenancy at End of Year 5, 1-Bedroom, \$40K Grant

Rent			Returns on Homeowner Equity – End of Year 5					
Year 1	Year 5	Year 6 (Market Rent)	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy
\$1,400	\$1,545	\$1,500	-0.9%	-1.5%	6.7%	5.8%	13.4%	12.3%
\$1,000	\$1,104	\$1,500	-0.4%	2.1%	-0.6%	5.8%	4.2%	12.3%

2.2 2-BEDROOM ANALYSIS

When looking at the 2-bedroom unit analysis, only the renovated secondary suite offered at the \$1,760 rent level provides a return of 4.2%. This means that units that cost more than \$357k to build struggle in seeing a return in Year 1. See Table 8 below.

Table 8: Estimated Returns on Initial Homeowners' Equity, 2-Bedroom, \$40K Grant, Year 1

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build
\$1,760	-6.0%	\$614k	-0.8%	\$448k	4.2%	\$357k
\$1,250	-10.0%	\$614k	-6.2%	\$448k	-2.7%	\$357k

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At Year 5, the same tenanted renovated secondary suite that was offered at \$1,760 and escalated at 2.5% annually, has its return rise from 4.2% to 6.1%. In addition, the new secondary suite offered at \$1,760 now shows a slight return (Table 9 below). However, the cottages are still showing negative returns. The analysis shows that units with capital costs above \$357k are challenging to achieve a return under both rent levels.

Table 9: Estimated Returns on Initial Homeowners' Equity, 2-Bedroom, \$40K Grant, Year 5

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build	Return on Homeowner Equity	Capital Cost to Build
\$1,760	-4.5%	\$614k	0.9%	\$448k	6.1%	\$357k
\$1,250	-8.7%	\$614k	-4.8%	\$448k	-1.2%	\$357k

2.2.1 Increasing the Grant to \$80k

For the 2-bedroom units, stacking an additional \$40k grant from the BC Housing Secondary Suite Incentive Program would impact the following changes in Year 1's returns:

- Increase the return on a renovated secondary suite at rent level of \$1,760 from 4.2% to 7.3%
- Increase the return on a renovated secondary suite at a rent level of \$1,250 from -2.7% to 0.4%
- Improve the return on a new secondary suite at rent level of \$1,760 from -0.8% to 1.7%

Units that cost more than \$448k to build, are generally challenged in providing positive returns when the rents are lower than \$1,760.

Table 10: Estimated Returns on Initial Homeowners' Equity, 2-Bedroom, \$80K Grant, Year 1

Target Rents	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	Return on Homeowners' Equity	Capital Cost to Build	Return on Homeowners' Equity	Capital Cost to Build	Return on Homeowners' Equity	Capital Cost to Build
\$1,760	-4.2%	\$614k	1.7%	\$448k	7.3%	\$357k
\$1,250	-8.2%	\$614k	-3.8%	\$448k	0.4%	\$357k

2.2.2 Change in Tenancy

This section reviews a scenario where there is a tenant changeover at the end of Year 5, resulting in market rents for the new tenants in Year 6 (Table 11). Similar to the 1-bedroom analysis, the analysis shows that the Rent Affordability Limits (\$1,760) are close to the market rents in Year 6 for SGI and SSI. This means that the units meeting Rent Affordability Limits will be close to market rent units after 5 years.

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2-Bedroom Units Targeting \$1,760 in Year 1

At Year 6, when the rents are reset from \$1,943 (\$1,760 plus 2.5% annual escalation for 4 years) to a 'market rent'⁷ of \$1,950 for a 2-bedroom unit. In this instance, the return on the newly occupied units are **equal to** the tenanted unit, signalling that 'market rents' would need to be around \$1,950 in Year 6 for a landlord to recuperate any losses (Table 11 below).

At Year 6, the rent for a 2-bedroom unit is reset from \$1,943 (plus 2.5% annual escalation for 4 years) to a 'market rent' of \$1,950. This means that the return on newly occupied units are **equal to** the units that already have tenants. For landlords to recover any losses, the rent in Year 6 would need to be around \$1,950 (Table 11 below).

2-Bedroom Units Targeting \$1,250 in Year 1

For units with rents of \$1,380 at the end of Year 5 (\$1,250 plus 2.5% annual escalation for 4 years), the rents are reset to 'market rents' of \$1,950. This substantially increases the returns across all accessory dwelling units in Year 6.

Table 11: Estimated Change in Tenancy at End of Year, 2-Bedroom, 40K Grant

Rent			Returns on Homeowner Equity – End of Year 5					
Year 1	Year 5	Year 6 (Market Rent)	Cottage - New		Secondary Suite - New		Secondary Suite - Reno	
	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy	No Change in Tenancy	Change in Tenancy
\$1,760	\$1,943	\$1,950	-4.5%	-4.5%	0.9%	0.9%	6.1%	6.1%
\$1,250	\$1,380	\$1,950	-8.7%	-4.5%	-4.8%	0.9%	-1.2%	6.1%

⁷ Market rent as defined in Section 2.2 of the Capital Regional District Rural Housing Pilot Project Analysis (2024) report. These rents are used as a starting point for the analysis to test the market rents.

3.0 CONCLUSION

While the financial analysis shows returns across some of the scenarios as modelled, consideration should be given to the following factors that will influence the direction of the return.

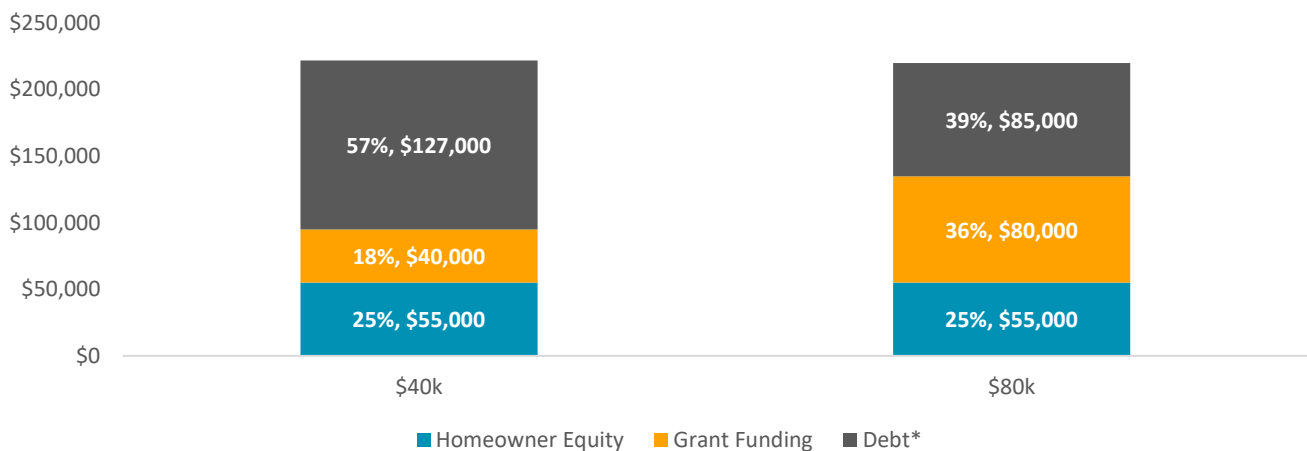
- **Measuring Returns** – While some scenarios demonstrate a ‘return’ on the initial homeowners’ equity, the amount of return and length of time should be considered. A return of 2.0% or under in Year 1 may not be enough to attract a homeowner to put forward their equity into an accessory dwelling unit, however, if this return becomes 5.0% in Year 5, then the grant option may become more of an incentive. On the other hand, if there is no return in Year 1, and an increase to 8.0% return in Year 5, this may not be attractive enough for a homeowner due to the opportunity loss on their equity in their first few years. The decision comes down to the risk tolerance and return goals of each individual homeowner.
- **Setting Rent Levels** – The financial analysis shows that the maximum rents, if set at the higher levels (e.g., Rental Affordability Limits), will enable homeowners to see a return across more scenarios. This means that this set of rents will likely encourage more housing supply across the SGIs and SSI. However, if the lower set of rents is required (e.g., Below Market Rents for SGI and SSI), the impact is not as far-reaching than the higher set of rents, as fewer scenarios show a return, which translates to fewer ADUs units being built.
- **Tenant Changeover and Market Rents** – The timing of tenant changeover within the first five years impacts the rent that can be charged, which impacts the returns a landlord might expect. These are risks that each individual homeowner will need to weigh when considering the overall attractiveness of a grant program for building accessory dwelling units. After the five year period ends, the ability to ‘reset’ the rents to a market-supportable rent is important for landlords so that they do not take on any losses that might offset their returns gained.
 - Further, the analysis finds that units set at the Rent Affordability Limit will reach the SSI and SGI ‘market rents’ after 5 years. Since these units are new, a landlord may decide to charge a higher rent than the ‘market rents’ after 5 years. However, true market rents are dictated by a household’s ability to pay for the rents. If renter household incomes across the SGI and SSI cannot support a higher rent, landlords may find they cannot increase the rent in Year 6 beyond the ‘market rent’ tested here. In this instance, those units would become a new supply of market rental units for SGI and SSI renters, while maintaining a reasonable return for the landlords (under the assumptions modelled in this analysis).
- **Building Costs** – The analysis is based on traditional forms of building housing. However, there are housing innovations and opportunities emerging that will lower the building costs which will allow owners to achieve a higher return on their investment. Some of these options include using pre-fabricated materials, modular housing, leveraging economies of scale when building multiple accessory dwelling units, and accessing pre-approved designs. A lower building cost will provide a greater incentive for homeowners to build accessory dwelling units.

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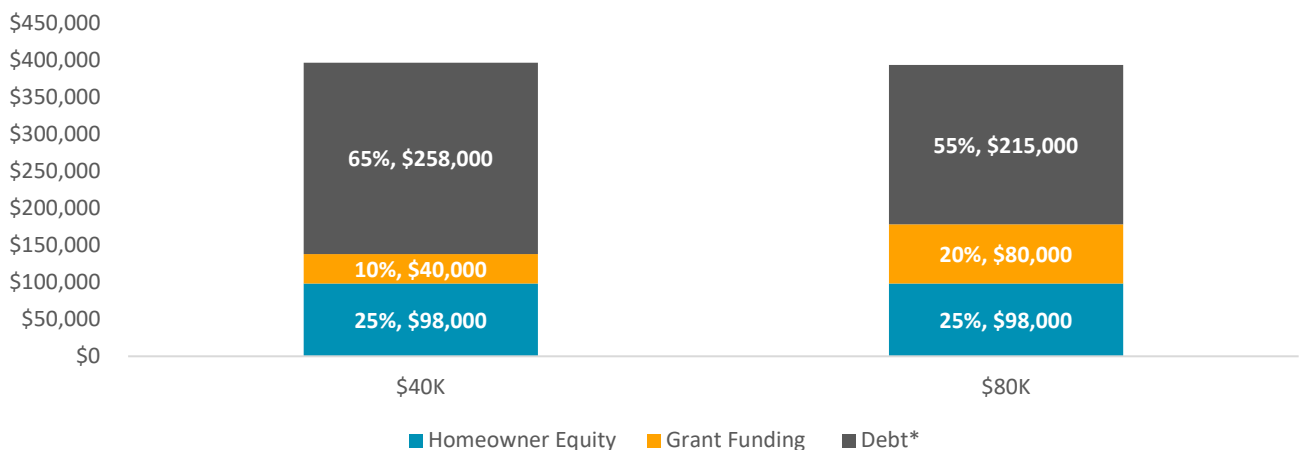
- **Grant Size** – The stacking of grants to \$80,000 enable a larger number of scenarios to achieve a notable return, when compared to just a \$40,000 grant alone. Cottages are still challenging due to the higher capital costs, but if construction innovation can be used to lower the costs, then the returns could be increased. The graphs below show the impact of the grant size on the debt carried in the secondary suite renovation scenario (1-bedroom) and in the cottage scenario (1-bedroom).

Figure 1: 1-Bedroom Secondary Suite Renovation, Comparison of a \$40k Grant vs. \$80k Grant



*Includes financing fees and interest accumulated during construction.

Figure 2: 1-Bedroom Cottage, Comparison of a \$40k Grant vs. \$80k Grant



*Includes financing fees and interest accumulated during construction.

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In summary, the financial analysis demonstrates the following trends based on the data assumed:

1-bedroom unit

- **\$40k grant**
 - A unit with capital costs more than \$393k (modelled as a new cottage) will have negative returns in Year 1 through Year 5 at both sets of rents tested, \$1,400 and \$1,000, unless the project costs are decreased.
 - A unit with capital cost of \$277k (such as a new secondary suite) shows a **notable return of 4.9% to 6.7%** from Year 1 to Year 5 when rents are set at \$1,400.
 - On the other hand, a unit with a capital cost of \$277k (such as a new secondary suite) with rents set at \$1,000 show a negative return of -2.1% to -0.6% in Year 1 and Year 5, respectively.
 - A unit with capital cost of \$220k (such as a secondary suite renovation) shows a **notable return of 11.3% to 13.4%** from Year 1 to Year 5 when rents are set at \$1,400; and returns of **2.6% to 4.2%** from Year 1 to Year 5 when rents are set deeper at \$1,000.
- **\$80k grant**
 - A unit with a capital cost of \$220k (such as a secondary suite renovation) shows a return of **16.4%** when rents are set at \$1,400 and a return of **7.7%** \$1,000 in Year 1.
 - A unit with a capital cost of \$277k (such as a new secondary suite) shows a return of **8.9%** when rents are set at \$1,400 in Year 1, and a return of **2.0%** when rents are set at \$1,000 in Year 1.

2-bedroom unit

- **\$40k grant**
 - A unit with capital cost of \$357k (such as a secondary suite renovation) shows a notable return of **4.2% to 6.1%** when rents are set at \$1,760 from Year 1 to Year 5.
- **\$80k grant**
 - A unit with a capital cost of \$357k (in this analysis, a renovated 2-bedroom secondary suite) return **7.3%** when rents are set at \$1,760. On the other hand, if the rents were set at \$1,250, there is a negligible return in Year 1 (0.4%).
 - A unit with capital cost of \$448k (in this analysis, a new 2-bedroom secondary suite) starts showing a promising return of **1.7%** when the rents are set at \$1,760 at Year 1. This return will increase if the project costs are lowered.

Cottages:

- **\$40k grant**
 - A 1-bedroom unit with a capital cost of \$393k does not generate any returns when the rents are set at \$1,400 or \$1,000 in Year 1 (-2.5% and -7.4%, respectively) or in Year 5 (-0.9% and -6.1%, respectively).

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- A 2-bedroom unit with a capital cost of \$614k does not generate any returns when the rents are set at \$1,760 or \$1,250 in Year 1 (-6.0% and -10.0%, respectively) or in Year 5 (-4.5% and -8.7%, respectively).
- **\$80k grant**
 - A 1-bedroom unit with a capital cost of \$393k generates a small return when the rents are set at \$1,400 in Year 1 (0.3%). The return could be increased if the project costs are lowered.
 - A 2-bedroom unit with a capital cost of \$614k does not generate a return when rents are set at \$1,760 or \$1,250 in Year 1 (-4.2% and -8.2%, respectively). The returns could be increased if the project costs are lowered.

Sincerely,

URBAN MATTERS CCC LTD.



Jodee Ng, RPP, MCIP
Land Economics Consultant

cc: Matt Thomson, Community Housing Advisor, Urban Matters CCC

What We Heard

Rural Housing Program Pilot Project

Capital Regional District | January 2025



Making a difference...together

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Project Overview

The Capital Regional District (CRD) is developing a Rural Housing Program (RHP) as a pilot project for the Southern Gulf Islands (SGI) and Salt Spring Island (SSI) Electoral Areas (EAs) in 2025-2026. The Rural Housing Program will enable the CRD to respond to the housing crisis in its rural communities and to pilot solutions more suited to the rural context. The project aims to provide:

1. Accessory Dwelling Unit Incentives
 - Support the development of new non-market units in the secondary housing market by providing financial incentives to build secondary suites and cottages in the pilot area.
2. Pre-development Funding for Affordable Housing
 - Support pre-development costs for technical studies and on-site infrastructure in the development of purpose built, multi-unit affordable housing in the Pilot Area.
3. Coordination, Information, Navigation, Advocacy
 - Coordinate on-going stakeholder engagement and guidance/support for non-profit housing proponents, inter-agency coordination, inter-divisional coordination at CRD, and outreach to other levels of government.

Community Engagement was conducted in 2024 by way of an online survey, polls, workshops, presentations, and delegations. Background and information have been posted on the CRD Get Involved project page: <https://getinvolved.crd.bc.ca/crd-rural-housing-program>.

As part of this engagement, an anonymous survey was conducted between September 16 and December 16 2024, for property owners in the SGI and SSI Electoral Areas, including those who expect to own property within those areas in the next 6-18 months. The goal of the survey was to better understand landowners' interest and capacity for building secondary suites, as well as their compatibility with the Provincial Secondary Suites Incentive Program eligibility criteria.

Engagement by the Numbers

While the engagement site was active, it had over 3,600 visitors. Two hundred seventy-four people responded to the polls, and 573 property owners responded to the survey. The engagement tools were promoted using social media, posters, and articles in community newspapers.

The Rural Housing Program Pilot proposal was presented for discussion at 11 local meetings and workshops, online and in person across the five islands of the Pilot Area.

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Summary of Community Engagement Results

- Stakeholder engagement demonstrated a high level of interest in the CRD creating a housing program targeting its rural island communities.
- Workshops and consultation with the non-profit housing sector in both the SSI and SGI EAs offered better understanding of the needs of the sector overall, and the individual needs of each housing project.
- The pre-development funding program is long awaited and will see rapid uptake. There are 10 active projects proposed as affordable housing projects across the pilot area, in various phases of advancement. Together, these projects represent at least 188 units.
- The Property Owners Survey indicated interest in participation in the Accessory Dwelling Unit Incentive Program:
 - Eighty percent of respondents were year-round residents of the islands.
 - Thirty-seven per cent of survey participants have zoning that would allow a secondary suite or cottage, however a further 26% were unsure of their zoning permissions.
 - Workers received the highest ranking as a preferred tenant; however family members were the second highest preference.
 - Forty-one per cent responded that a \$40,000 funding incentive would make the difference in their ability to proceed with building an ADU.
 - An additional 70 participants responded that \$80,000 would be an incentive.
 - Thirty-eight per cent of respondents would not build an ADU even with an \$80,000 financial incentive.
 - The cost of construction was cited as the main obstacle to building an ADU, with prohibitive regulatory environment and the desire to preserve privacy also ranking highly. The Residential Tenancy Act was cited as a deterrent to being a landlord.
 - The majority of respondents (74%) indicated that their income was below the maximum income for eligibility for the Provincial program (\$209,420).

Key Takeaways

There is a high level of interest in the CRD creating a housing program to support housing solutions in its rural island communities. The non-profit housing sector in the island communities have a high need for capital funding, and a CRD pre-development funding program will support project success. Despite some challenges with zoning and the building permit process, and concerns about privacy and the responsibility of being a landlord, there appears to be appetite for the Accessory Dwelling Unit Incentive Program by property owners who live year-round on the islands. Many residents confirmed that they meet the proposed eligibility criteria. Based on this, it is likely that both funding streams of the Rural Housing Program will see considerable uptake in the initial launch.

What We Did:

A. Stakeholder Engagement

The CRD Rural Housing Project team met with housing groups throughout 2024 to present the proposed framework of the RHP pilot.

Engagement events included:

1. Salt Spring Island Local Community Commission, May 22, 2024, Meaden Hall, Salt Spring Island

Attendees represented the following organizations:

- 1) CRD SSI Local Community Commission
 - 2) Islands Trust/Salt Spring Local Trust Committee
 - 3) Salt Spring and Southern Gulf Islands Community Services
 - 4) Lady Minto Hospital Foundation
 - 5) North Salt Spring Waterworks District
 - 6) JG Consulting
 - 7) Islanders Working Against Violence (IWAV)
 - 8) Salt Spring Solutions
 - 9) Gulf Islands Seniors Association (GISRA)
 - 10) Housing Now
 - 11) Salt Spring Foundation
 - 12) SSI Chamber of Commerce
 - 13) Chuan Society
 - 14) Lookout Society
 - 15) Transition Salt Spring
 - 16) Salt Spring Community Marketplace
(Country Grocer, Country Grocer Pharmacy, Upper Ganges Liquor Store and Harvest Moon Cannabis Store)
 - 17) Umbrella Society
 - 18) SGI Community Resource Centre (CRC)
 - 19) Positively Forward
 - 20) Other individual community members
2. Ask Salt Spring – August 16, 2024 – Presentation on Rural Housing Program to 19 participants at the “Ask Salt Spring” monthly speaker’s event.

3. Southern Gulf Islands Electoral Area - Housing Sector Engagement, September 10, 2024, online. Attendees:
 - 1) Galiano Affordable Living Initiative
 - 2) Mayne Island Housing Association
 - 3) Pender Island Housing Association
 - 4) Galiano Cottage Co-op
 - 5) Galiano Island Housing Association
 - 6) Housing Now
 - 7) Galiano Film School Housing Project
 - 8) Wiser Projects
4. Salt Spring Island Foundation Funders Table – September 13, 2024 – Presentation focused on key points for a collaborative funding framework for rural housing solutions in the islands. There was a group of 12 participants including board members of the Salt Spring Island Foundation.
5. Salt Spring Local Community Commission – Housing Strategy Workshop – October 17, 2024. The workshop included LCC members with housing experts from Salt Spring Island and focused on the need for an updated Salt Spring Island housing strategy.
6. Information about the proposed Rural Housing Program Pilot Project was presented to Islands Trust in a series of delegations to Local Trust Committees as well as to Islands Trust Council, which represents the federation of Islands Trust.
 - 1) Galiano Island Local Trust Committee, October 8, 2024
 - 2) Salt Spring Island Local Trust Committee, October 10, 2024
 - 3) Mayne Island Local Trust Committee, October 28, 2024
 - 4) North Pender Island Special Advisory Planning Commission on Housing – November 1, 2024
 - 5) North Pender Island Local Trust Committee – November 29, 2024
 - 6) Islands Trust Council – December 3, 2024

B. Property Owner's Survey

The Property Owner's Survey was open from September 16 to December 16, 2024. The survey was aimed at property owners to gauge uptake and seek feedback on the proposed criteria for the Accessory Dwelling Unit Incentive Program. It was supported by the CRD Get Involved website, which provided background materials and quick poll questions. A social media campaign drove interest in the page and in the survey and has ensured the island communities are well informed about the goals of the Rural Housing Program.

The online survey received a total of 573 responses. Respondents were asked about the following topics:

- Their property's infrastructure, improvements and zoning
- Whether they currently operate a rental unit and their preferences regarding tenants
- Whether a financial incentive would encourage them to build a secondary suite or cottage.

See Appendix A for the full results of the Rural Housing Program Property Owner's Survey.

C. Polls

Community members were able to participate in a series of polls to indicate their thoughts about building an ADU or Secondary Suite.

Responses to these polls are shown in Appendix B.



Appendix A:

Rural Housing Program Property Owner's Survey Results

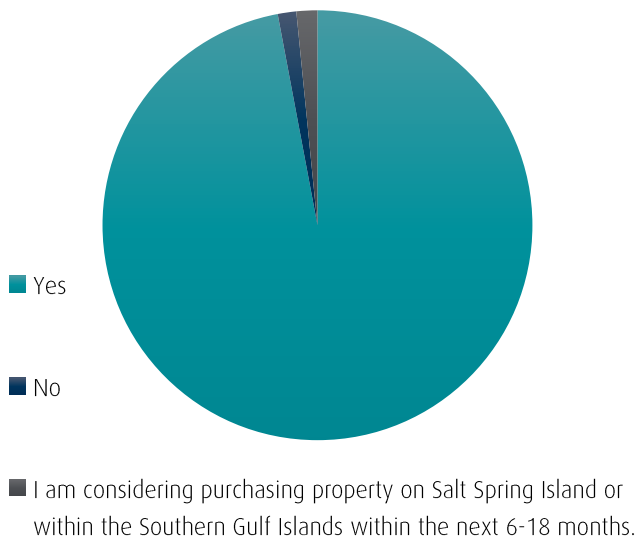
Who We Heard From

The online survey included several demographic questions to allow the project team to better understand who participated. The following results are specific to the online survey only and do not reflect the demographics of the participants who used the other tools.

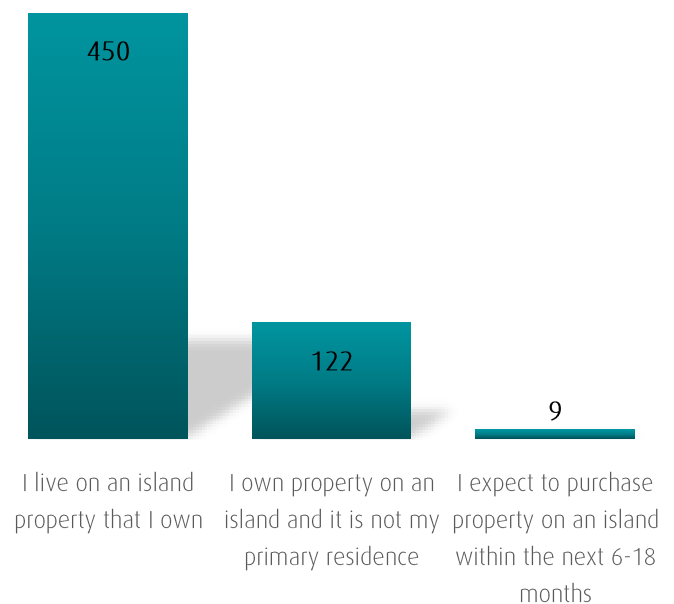
Geographic Representation

Respondents were asked the following question: "Do you own property on Salt Spring Island or the Southern Gulf Islands?" Figure 1 shows their responses. The vast majority of respondents (97%, or 556 out of 573) own property on an island. Four hundred fifty respondents out of 560 (80%) live on an island property that they own; 122 (22%) own property on an island that is not their primary residence; nine (2%) expect to purchase property on an island within the next 6-18 months (see figure 2).

Land Ownership (figure 1)



Island Connection (figure 2)

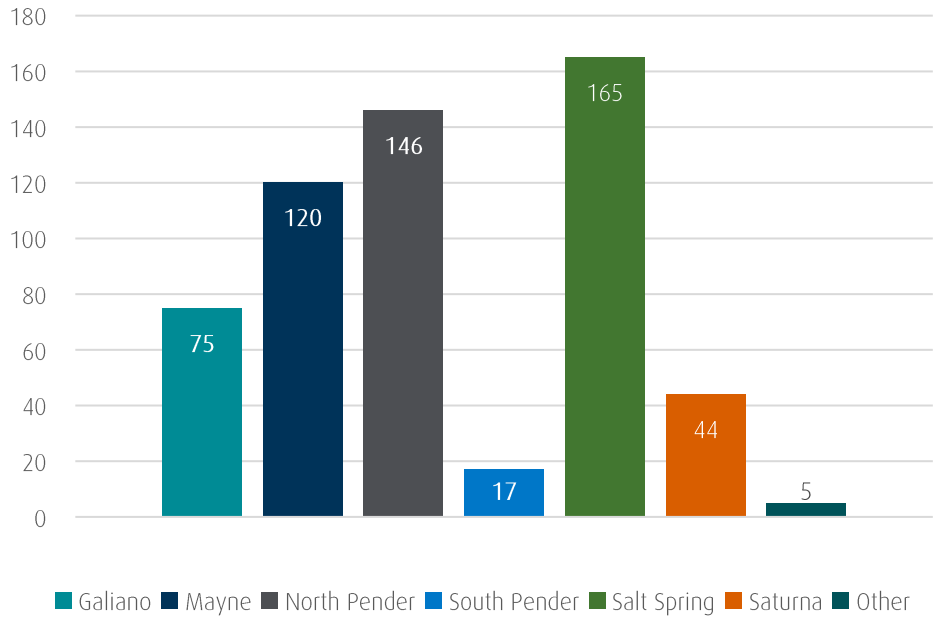


Rural Housing Pilot Program Community Engagement

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Respondents were also asked: "On which island do you own property? (Select all that apply)". As shown in figure 3, Salt Spring Island had the most responses (165); followed by North Pender (146); Mayne (120) and Galiano (75). Saturna and South Pender had the fewest responses at 44 and 17, respectively. Comparing participation against the population of each island, participation for the Southern Gulf Islands ranges from 5% to 9% of island population, indicating a fairly equitable involvement. Salt Spring Island, which has a much higher population, had a lower response rate (1%).¹

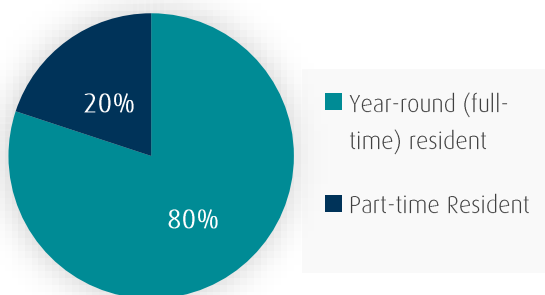
On which island do you own property? (figure 3)



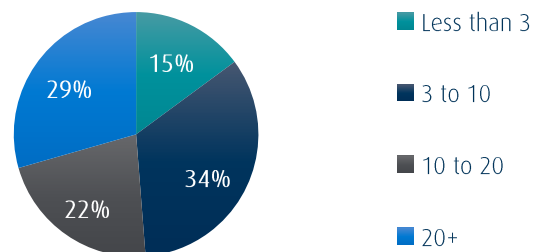
Residential Status

Respondents who indicated that they live on an island were asked if they were a year-round or seasonal resident. Eighty per cent, or 450 out of 562 were year-round residents (see figure 4). They were also asked how long they have owned property in SSI or SGI. As shown in figure 5, 34% of participants (191 out of 564) have owned their properties for at least three years, 22% (123 out of 564) for 11-20 years, and 29% (166 out of 564) for longer than 20 years. Fifteen per cent (or 84 out of 564) of respondents have lived in the community for three years or less.

Residential Status (figure 4)



Years of Ownership (figure 5)

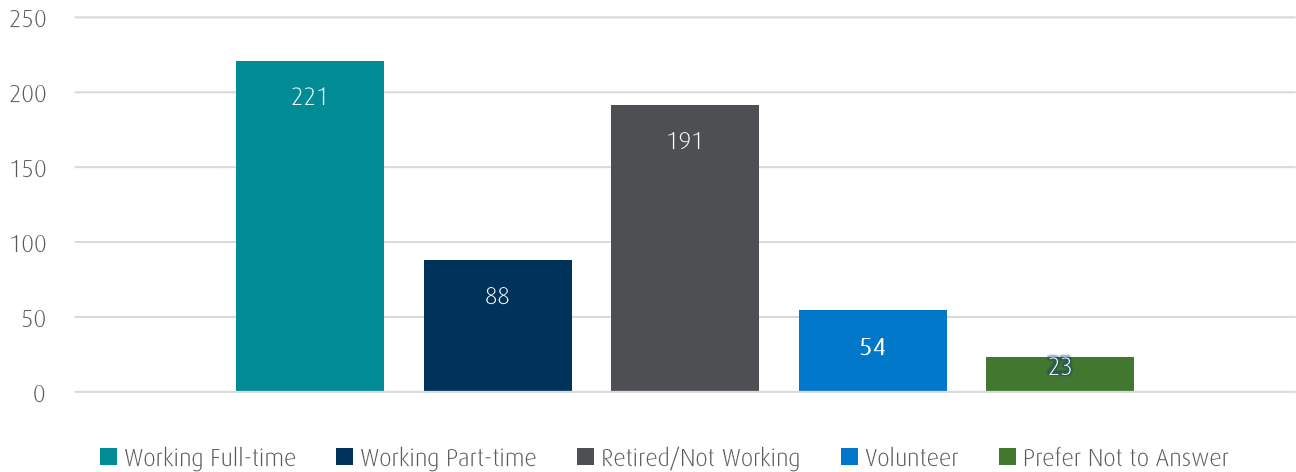


¹ 2021 Census Profile Populations: Salt Spring Island 11,635; Pender Islands 2,470; Mayne Island 1,310; Galiano Island 1,395; Saturna Island, 465.

Employment Status

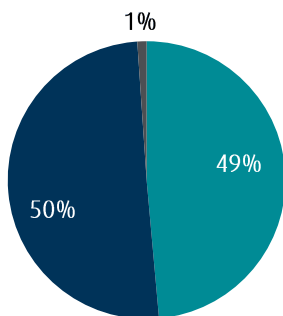
Respondents were asked “What is your employment status? (Select all that apply)”. Two hundred twenty-one out of 514 (43%) said they were working full-time; 99 (19%) said they were working part time; 191 (37%) said they were retired/not working; and 54 (11%) said they were volunteering. Twenty-three (4%) indicated they preferred not to answer (see figure 6).

Employment Status (figure 6)



Water System (figure 7)

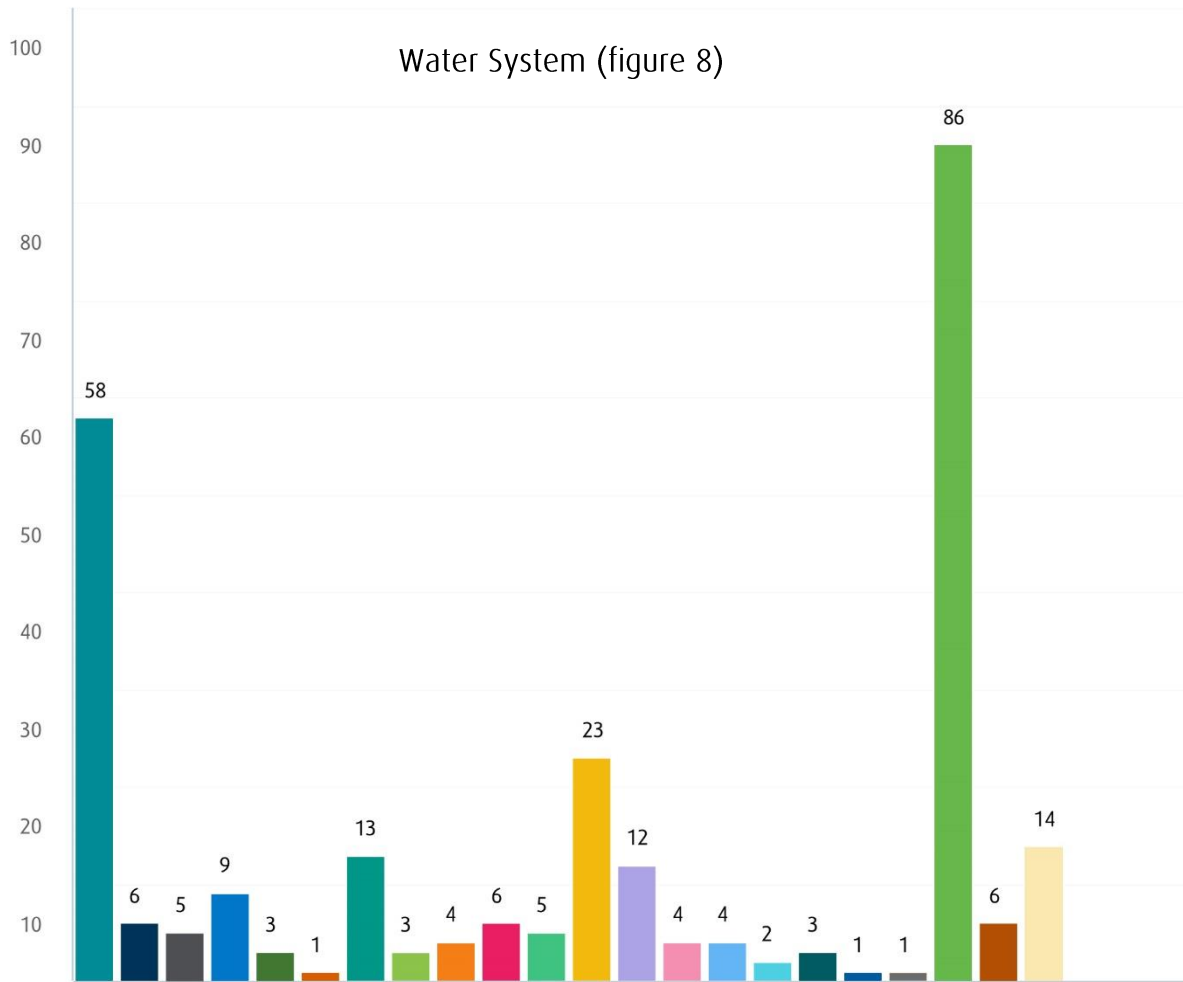
■ Yes ■ No ■ I don't know



Water Service Areas Represented

Respondents were asked whether their “property [is] serviced by a water system operated by either the CRD, an improvement district, or another community water purveyor” (see figure 7). Forty-nine per cent (or 272 out of 560) indicated yes; 50% (282 out of 560) indicated no; and 1% (6 out of 560) didn’t know. The Magic Lake Estates Water System on Pender Island had the most respondents (86), followed by North Salt Spring Waterworks District on Salt Spring Island (58). See figure 8 for the distribution across other water systems.

Capital Regional District | January 2025



- North Salt Spring Waterworks District (Salt Spring Island)
- Beddis Water System (Salt Spring Island)
- Fulford Water System (Salt Spring Island)
- Highland-Fernwood Water System (Salt Spring Island)
- Mount Belcher Improvement District (Salt Spring Island)
- Harbour View Improvement District (Salt Spring Island)
- Lyall Harbour - Boot Cove Water System (Saturna Island)
- Saturna Shores Improvement District (Saturna Island)
- Skana Water System (Mayne Island)
- Surfside Park Estates Water System (Mayne Island)
- Mayne Island Improvement District (Mayne Island) Campbell-
- Village Point Improvement District (Mayne Island)
- Bennett Bay Improvement District (Mayne Island) Mount Parke
- Georgina Improvement District (Mayne Island)
- Estates Improvement District (Mayne Island) Galiano Estates
- Sticks Allison Water System (Galiano)
- Improvement District (Galiano Island) Spanish Hills Improvement
- Montague Improvement District (Galiano Island) Magic
- District (Galiano Island)
- Lake Estates Water System (Pender Island)
- Trincomali Improvement District (Pender Island)
- Cedars of Tuam Water System (Salt Spring Island)
- Cedar Lane Water System (Salt Spring Island)
- Razor Point Improvement District (Pender Island)
- Gossip Island Improvement District (Galiano Island)
- I'm not sure

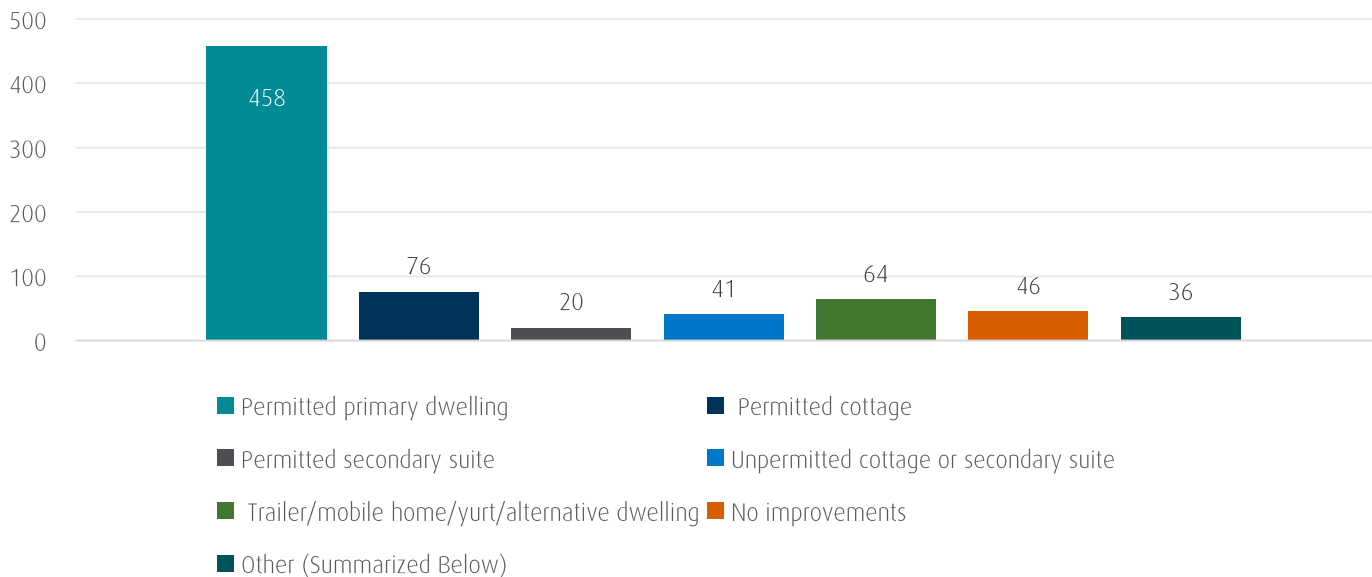
Optional question (268 response(s), 305 skipped)

Improvements

Respondents were asked “Which of the following improvements does your property currently have? (Select all that apply)”. As shown in figure 9, most responses have a permitted primary dwelling (458 out of 557). Some respondents have a permitted cottage or secondary suite: 76 and 20, respectively. A further 41 have an unpermitted cottage or secondary suite. 64 respondents have a trailer/mobile home/yurt or alternative dwelling. Thirty-six respondents reported ‘other’ and reported a mix of structures and features, some of which are functional while others are underutilized or restricted by zoning regulations:

- Responses about common assets included garages, workshops, artist studios and accessory buildings. Other assets included patios, porches, new septic fields and metal roofs. These assets were a mixture of permitted and non-conforming.
- Some respondents have outbuildings, studios, garages or unfinished suites that could be converted into ADUs. Also mentioned were undeveloped lots with features like wells, hydro or driveways, but no structures or septic.
- Concerns about zoning restrictions, a challenging regulatory environment, and permitting are barriers to ADU conversion.

Property Improvements Already In Place (figure 9)



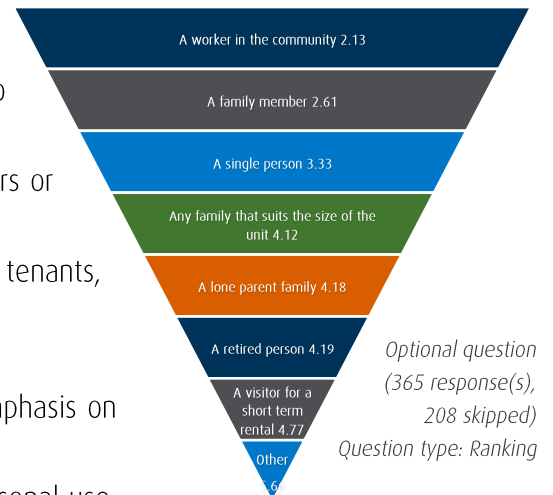
Renting

Respondents were asked, “are you currently renting any of these residential spaces to a long-term tenant(s)?” Most respondents said no (490 out of 555).

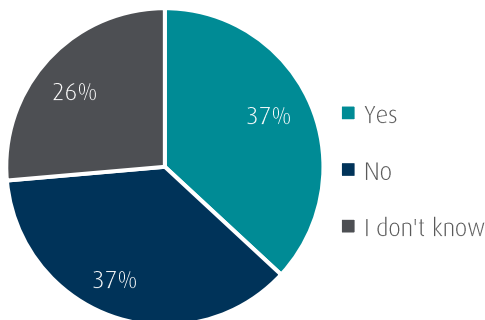
Respondents were also asked “If you are currently or are considering renting out a unit on your property, please rank your preference for tenants (with 1 being the most preferred).” As shown in figure 10, most respondents expressed a preference for a worker in the community or a family member. A retired person or a visitor for a short-term rental was the least preferred of the options provided. A small number of respondents indicated a preference for ‘other’ and elaborated.

- Preferences for tenants who could fill local needs (eg. hospital staff, tradespeople), and long-term tenants who were respectful and reliable. Responses also favoured tenants with limited income who are in need of housing.
- Some owners preferred to keep their properties for family members or want to build units for personal or familial use.
- There is reluctance to rent due to past negative experiences with tenants, legal disputes, or stress associated with being landlords.
- Comments about legal or zoning restrictions preventing rentals.
- Opposition to government interference in property rentals, and emphasis on self-reliance, innovative housing solutions, and minimal regulation.
- Some indicated a disinterest in renting to preserve property for personal use, or neighborhood concerns (e.g., overburdened infrastructure).

Preferred Tenant (figure 10)



Does your zoning allow more density? (fig 11)



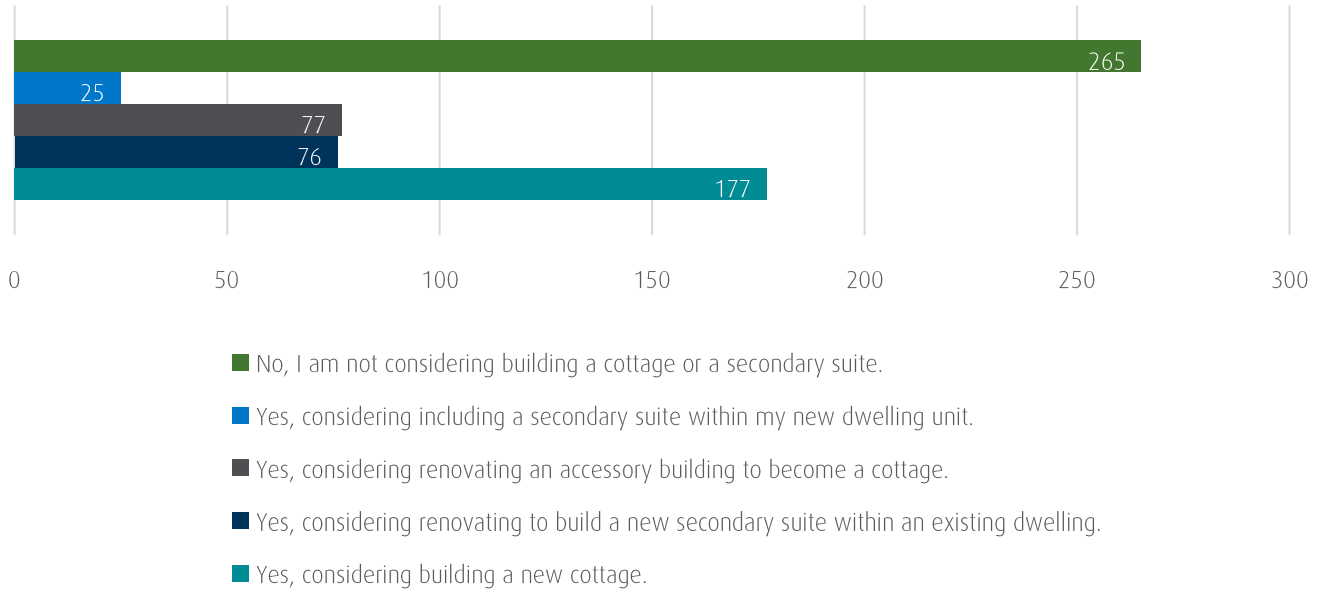
Zoning

Respondents were asked “According to the zoning rules for your property, are you allowed to build either a new cottage or secondary suite on your property?” The responses were split between ‘Yes’ (37%, or 207 out of 561), ‘No’ (37%, or 206 out of 561) and ‘I don’t know’ (26%, or 148 out of 561) (see figure 11).

Building an Addition

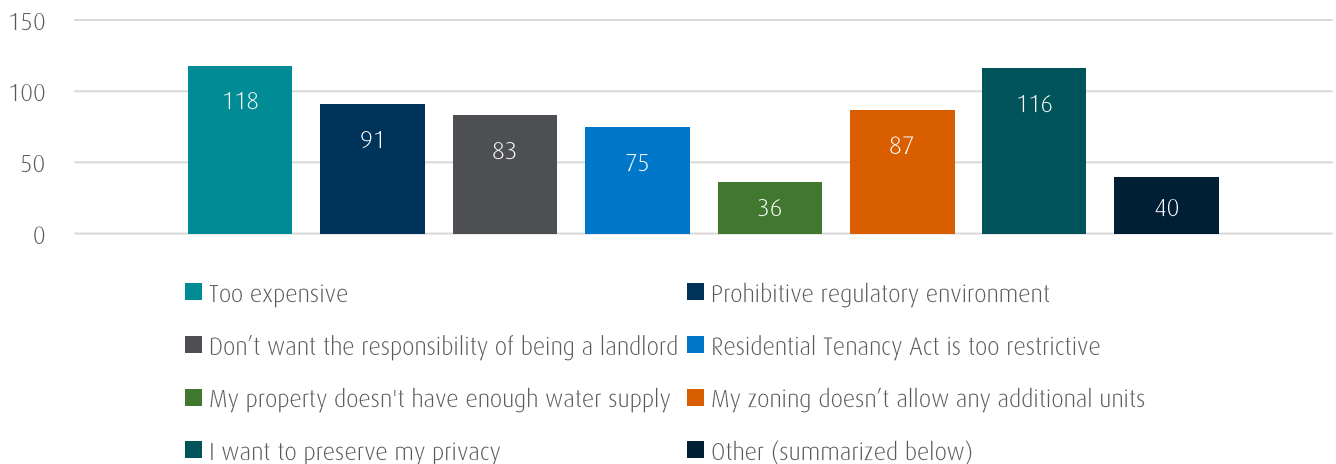
Respondents were asked “Are you currently considering building a cottage or secondary suite on your property? (Select all that apply)”. The majority of respondents said ‘No,’ they were not considering building (265 out of 554), see figure 12.

Are you considering building an ADU? (figure 12)



The remaining were considering building, with 177 considering building a new cottage; 77 considering renovating an accessory building to become a cottage; and 25 considering including a secondary suite within a new dwelling unit. Of those that were not considering building, the reasons given are shown in figure 13.

I am not considering building an ADU because... (figure 13)



Capital Regional District | January 2025

Comments covered the following perspectives:

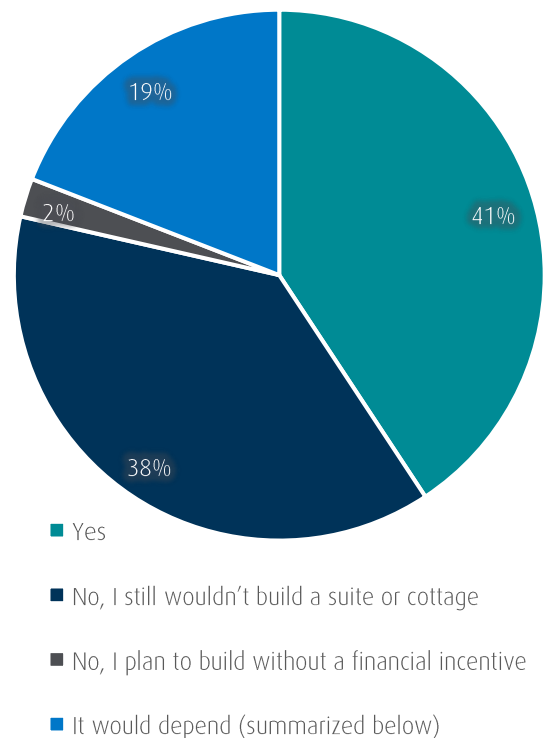
- Comments about excessive regulations, restrictive building codes, and zoning limitations, including restrictions on secondary dwellings, seasonal use only, or minimum lot sizes.
- Concerns about the environment; like limited water resources and overpopulation, as well as impacts to the communities' rural character.
- Concerns about limited infrastructure like healthcare, schools, transportation, septic and water supply. Access to contractors was also an issue.
- Remarks about a lack of space or suitable locations for additional structures.
- Concerns about the responsibility of managing tenants or wanting to keep properties for personal or family use.
- Statements about financial barriers, including high building costs and septic upgrades. Remarks that some properties already include secondary units, cottages, or other accommodations.
- Distrust in government and regulatory bodies, with calls for more flexible or innovative housing solutions.

a. Respondents were also asked "With consideration of your mortgage and other financial constraints, would a financial incentive of \$40,000 be likely to encourage you to build a cottage or a secondary suite on your property?" As shown in figure 14, most respondents said yes (41%, or 226 out of 555). Some respondents indicated that a financial incentive wouldn't encourage them to build an addition (38%, or 210 out of 555) while some indicated that they planned to build without a financial incentive (2%, or 13 out of 555).

b. Some respondents (19%, or 106 out of 555) indicated that whether a financial incentive would encourage them to build an addition would depend. The "it depends" responses reveal a variety of factors influencing property owners' decisions to build secondary suites and cottages, reflecting a mix of practical, financial, regulatory, and personal considerations:

- Comments about restrictive zoning, building codes, permit processes, and limits on secondary suite size as significant barriers. Needs for support navigating the regulatory environment.
- Views that the \$40,000 incentive is insufficient to cover building or renovation costs.

Would up to \$40K motivate you to build? (figure 14)

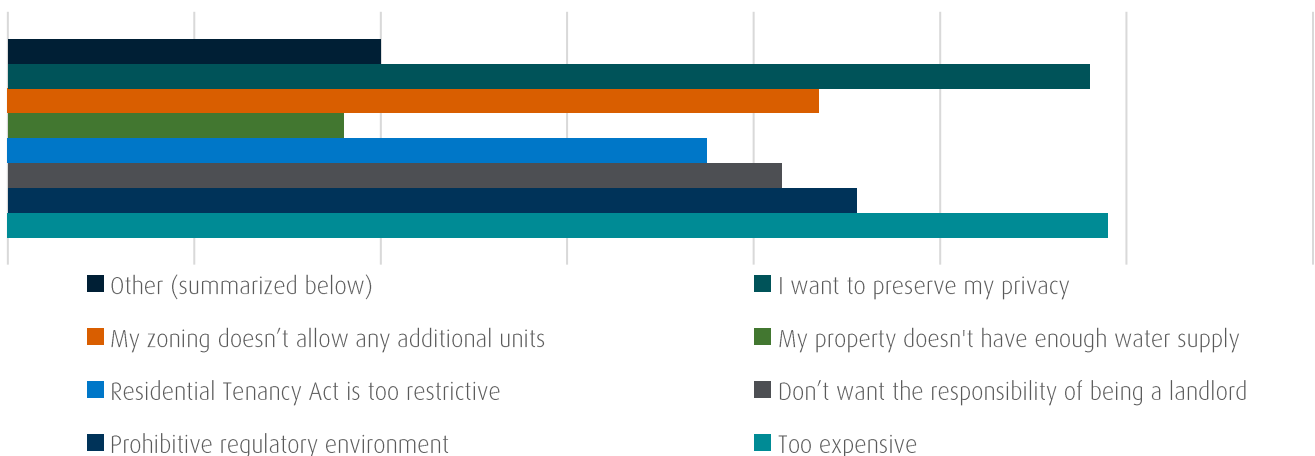


Rural Housing Pilot Program Community Engagement

Capital Regional District | January 2025

- Observations on limited availability of skilled trades, as well as the high cost of construction, building materials, and infrastructure upgrades like septic, hydro and water. Some willingness to be owner-builders to reduce costs.
 - Some respondents would only consider the incentive if it were a forgivable grant rather than a loan, as they are unwilling to take on additional debt.
 - Observations that the long-term return on investment (ROI) and the ability to recoup costs through rental income are critical considerations. Concerns about obligations to rent units at below-market value, caps on rental rates, and the duration and rigidity of rental agreements.
 - Perceptions that the Residential Tenancy Act is unfavorable to landlords. Preferences for renting to family members, trusted individuals, or short-term tenants to minimize risks, or using the units for personal use or vacation rentals rather than long-term tenants.
 - Suggestions that prefabricated units, modular homes, tiny homes or renovations of existing structures are more viable alternatives to traditional construction. Concerns about water availability, septic capacity, and riparian restrictions in rural island settings.
 - Statements that age, health, and time constraints influence decisions to build. Comments about considering the incentive if it aligned with long-term plans, such as downsizing or creating housing for family members.
 - Remarks about already owning secondary dwellings and that additional incentives are unnecessary.
- c. Those that responded that a financial incentive wouldn't encourage them to build an addition were asked why not. See figure 15 for responses. The options most selected were 'still too expensive' (148 out of 315) and 'prohibitive regulatory environment' (138 out of 315); followed by 'I want to preserve my privacy' and 'Residential Tenancy Act is too restrictive' (118 and 112 out of 315, respectively). The responses least selected was 'Don't want the responsibility of being a landlord' (95 out of 315). Participants could also select 'other'. The "other" responses highlight numerous reasons why financial incentives alone are insufficient to encourage property owners to develop secondary suites:

If no, why not? (figure 15)



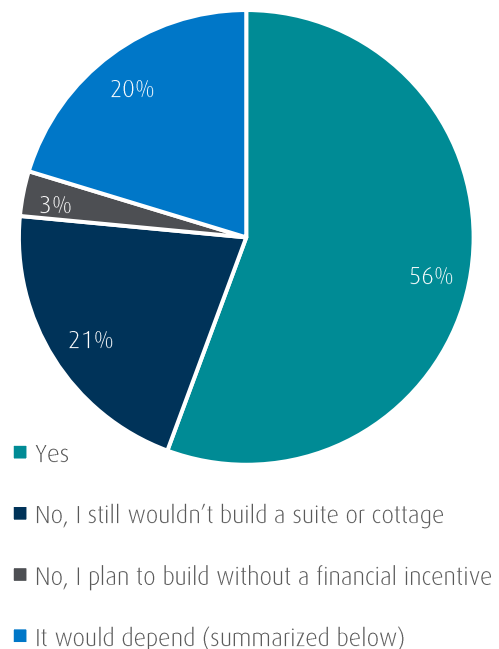
Rural Housing Pilot Program Community Engagement

Capital Regional District | January 2025

- Challenges with properties not having zoning or suitability for secondary suites and ADUs. Watershed protections, water board restrictions, and other land-use regulations also barriers.
- Concerns about water shortages, aquifer impacts, and damage to local ecosystems.
- Comments that inadequate infrastructure, such as roads, public transportation, water, and access to services, make the islands unsuitable for additional housing. A few suggested centralized housing solutions closer to amenities is preferable to increasing density in rural or remote areas.
- Observations that a \$40,000 grant is insufficient to cover construction costs, particularly with rising building expenses and requirements for septic, plumbing and water upgrades.
- Comments on how the return on investment (ROI) from renting, after taxes and associated costs, is too low to justify the expense.
- Concerns about taking on the responsibilities of being a landlord, previous negative experience with renters and potential property damage. Openness to seasonal or short-term rentals but wary of long-term tenancy.
- Beliefs that property owners should not be expected to address systemic housing issues caused by long-term policy failures. Assertions that taxpayer dollars should directly support affordable housing projects rather than private property improvements.
- Perception that they'd already addressed rental needs by owning a cottage or a legal suite.

d. Respondents were asked "The Provincial government is offering a secondary suite incentive program, of up to \$40,000. There may be opportunities for stacking incentives. Would a total incentive of \$80,000 be likely to encourage you to build a cottage or a secondary suite on your property?" As shown in figure 16, 296 out of 532 respondents indicated that yes, a \$40,000 incentive would likely encourage them to build an addition. The balance of respondents was split between those who indicated they still wouldn't be able to afford to build an addition (111 out of 532) and those who said it would depend (108 out of 532). The remaining respondents (17 out of 532) indicated they plan to build without a financial incentive. Those that responded 'it would depend' elaborated with nuanced perspectives:

Would up to \$80K financial incentive motivate you to build a rental?
(figure 16)

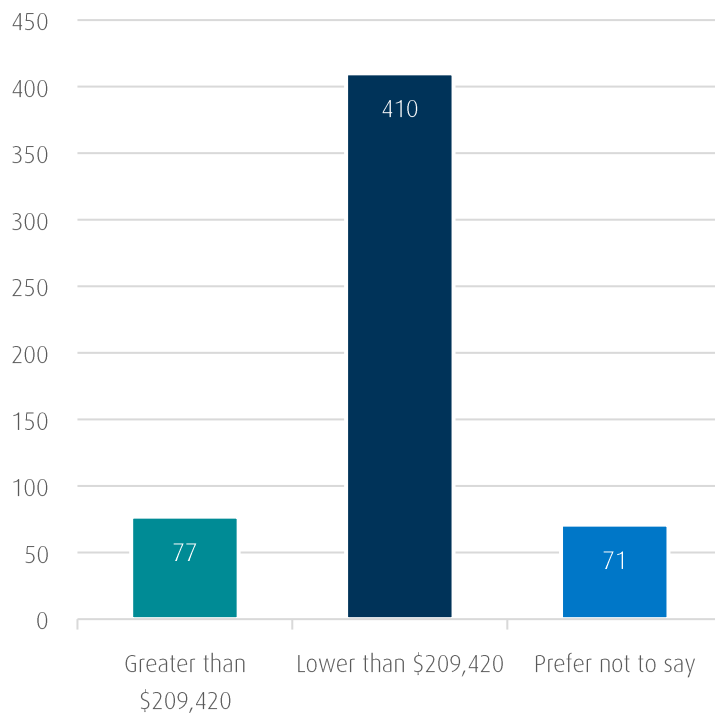


Rural Housing Pilot Program Community Engagement

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- Zoning restrictions and regulations are barriers to building secondary suites.
- Calls for reforming zoning laws to allow for accessory dwellings, tiny homes, modular homes, trailers, or other flexible options that might be more affordable or feasible.
- Beliefs that addressing systemic housing challenges should be the government's responsibility rather than that of individual property owners.
- Concerns that \$40,000 would be inadequate to cover construction costs and infrastructure upgrades.
- Assertions that \$80,000 grant or other financial supports, such as tax rebates, would be more appealing.
- Concerns about the cost of infrastructure, such as roadwork, parking, and landscaping.
- Requests for clear terms and conditions for receiving incentives particularly regarding long-term rental obligations and rent controls.
- Expressions of distrust of government programs and skepticism about the strings attached to financial incentives, such as rent restrictions or increased property taxes.
- Comments on valuing privacy, and disinterest in building rental units regardless of financial incentives.
- Preference for housing family members or caretakers rather than renting to the general market.
- Expressions of conditional interest, contingent on revised zoning, simplified permitting, reasonable grant terms, personal considerations like age and health.

Gross Annual Income (figure 17)



e. Respondents were asked "The Provincial Secondary Suites Incentive Program has a maximum income requirement for eligibility. The CRD's criteria is still under development. Do you have a combined gross annual income of homeowners on title that is higher or lower than annual income of homeowners on title that is higher or lower than \$209,420 (in the previous tax year)?" As shown in figure 17, the majority of respondents (74%, or 410 out of 558) indicated that their income was below the maximum income for eligibility for the Provincial program. A minority of participants (14%, or 55 out of 558) indicated their incomes were too high to qualify for the Provincial program, while 13% (or 71 out of 558) preferred not to answer.

Additional Comments

Rural Housing Pilot Program Community Engagement

Capital Regional District | January 2025

Respondents were invited to share additional comments:

- Support for changes to zoning bylaws to permit secondary suites or detached accessory buildings, particularly to address the housing needs of local workers (e.g., healthcare professionals, seasonal workers).
- Concerns that secondary suites or cottages might be used for short-term vacation rentals (STVRs) rather than long-term affordable housing. Calls for purpose-built rental housing and co-operative housing models to address affordability.
- Challenges with current bylaws, the building permit process, enforcement practices, and infrastructure issues (e.g., accessing BC Hydro or water supply concerns). Many called for streamlined processes and better communication.
- Imbalances in land use regulations, where current policies restrict housing options to the wealthy and privileged while limiting opportunities for more equitable housing solutions.
- Doubts that private property owners would rent out secondary units at reasonable rates, suggesting that subsidies and incentives should focus on non-profit housing initiatives.
- Challenges such as financial costs, lack of incentives, and stress associated with providing rental housing.

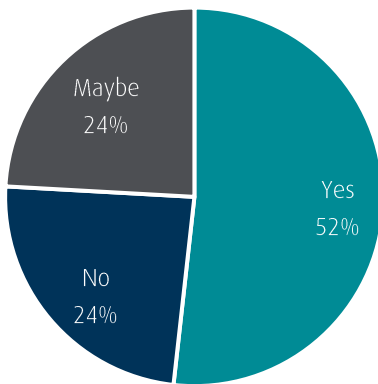


Appendix B:

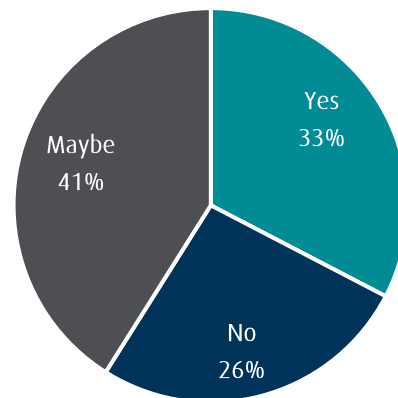
Poll Questions

These following poll questions were promoted on social media and were posted on the CRD Get Involved project page:
<http://getinvolved.crd.bc.ca/crd-rural-housing-program>.

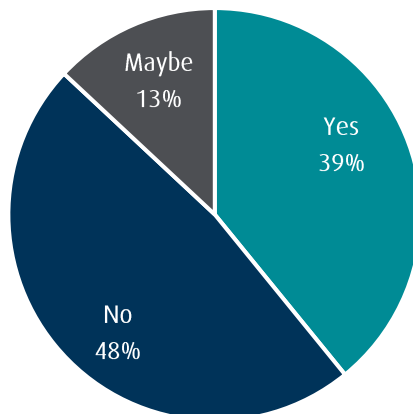
If you could get a grant, would you build a secondary suite or cottage on your property?



Are you considering building a rental unit?



Would you benefit from having a homecare worker or other support worker living on your property?





Application Guide

Accessory Dwelling Unit Incentive Program

Rural Housing Program Pilot Project
Capital Regional District | January 2025



Making a difference...together



Rural Housing Program

About the Program

The Capital Regional District Accessory Dwelling Unit (ADU) Incentive Program is part of the new Rural Housing Program, a pilot project for the Southern Gulf Islands (SGI) and Salt Spring Island (SSI) Electoral Areas. Throughout 2025 and 2026, the Program will provide eligible homeowners with 50% of the cost to build an ADU (suite or cottage), up to a maximum of \$40,000.

In exchange for receiving the grant, for a five-year period, the owner will be required to rent the new ADU at rents that are feasible at today's building costs, and aligned with the Provincial Rental Income Limits¹:

- Bachelor/1 Bedroom: \$1,400
- Two bedroom: \$1,760

The grant recipient will be asked to enter into a housing agreement or covenant with the CRD to ensure the program requirements are upheld. Notice of the agreement is registered on the title of the property and runs with the land if the property is sold.

How Does it Work?

- Grants of \$40,000 up to a total of 50% of construction costs are available for new Accessory Dwelling Units.
- Applications will be accepted as of April 01, 2025, for preliminary approvals. Final approval is not granted until the owner secures a building permit. As a pilot project, there are limits on the number of incentives available, applications will be reviewed based on eligibility and available remaining funds.
- From the time of final application approval, owners have one year for the ADU to be built and to receive an occupancy permit. Extensions may be granted on a case-by-case basis.
- The funding is released at the time of occupancy permit.
- Owner must enter into a section 219 covenant or housing agreement to meet program requirements.
- Rents must be limited to the Provincial Rental Income Limits for 5 years, even with tenant changeover.
- Rents can increase according to the Residential Tenancy Act.
- Unit must have a rental agreement under the Residential Tenancy Act.
- Unit cannot be rented to a family member, left vacant, used non-residentially, or used as a short-term rental.
- The owner is responsible for submitting documents that prove program compliance to CRD.
- The CRD funding can be stacked with the Provincial Secondary Suites Incentive Program for a total incentive of \$80,000, (and other applicable Federal programs), however, applicants are responsible for ensuring compliance with each program's eligibility criteria.
- Once the unit is complete, applicants will receive the grant. The amount will be based on the costs of construction, up to a maximum of \$40,000. An occupancy permit will be required prior to receiving the funding.

¹ May be updated for the current year in which the application is made.

Eligibility:

- Applicant must be the registered owner of the property or their authorized delegate.
- Applicant must be a Canadian Citizen
- Combined gross annual income of all homeowners on title of less than \$209,420 (for the previous year).
- The assessed value of the property must be below \$2.2 Million (for the previous year).
- The ADU must be permitted by Islands Trust zoning and meet the definitions of each island's land use bylaw.
- The ADU must be an independent, legal unit with its own kitchen and bathroom. It can be a stand-alone unit (cottage), a renovation to install a new secondary suite in an existing building, or a secondary suite included in the construction of a new building.
- Upgrades to existing, vacant ADUs to make them habitable and eligible for a building permit will be considered on a case-by-case basis, subject to CRD issuing building permits and occupancy permits.
- Tiny homes on wheels (THOWS) and RVs are not eligible unless building and occupancy permits are issued.
- Building permit issuance date cannot be earlier than January 01, 2024.

Eligible Costs:

Costs to be reimbursed must be directly related to the creation of the secondary suite or cottage and include:

- Architectural and design fees
- Structural modification
- Electrical work
- Fixtures
- Appliances (50% of actual cost to a maximum of \$2,500)
- Building and trade permit fees
- Costs to obtain certificates, drawings and specifications directly related to eligible scope of work
- Materials related to the approved construction
- Contractor labour (not including work done by Applicant or any member of the Household)
- PST and GST

The following costs will not be eligible:

- Extensions, conversions, repair or replacement of buildings and areas of buildings outside the ADU.
- Labour costs for work completed by the homeowner
- Tools purchased or rented by the homeowner

For more information contact:

CRD Rural Housing <ruralhousing@crd.bc.ca>

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 05, 2025**

SUBJECT Castanea Place Mortgage Renewal

ISSUE SUMMARY

British Columbia Housing Management Commission (BCHMC) requires a Certified Resolution of Directors, Pre-Renewal Checklist for Sponsor Groups and an authorized Commitment to Lend from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgage for Castanea Place.

BACKGROUND

The mortgage for Castanea Place, a 59-unit family townhome complex at 2860 Quadra Street in Victoria is due for renewal on June 1, 2025. The building is owned and operated by the CRHC.

BCHMC intends to renew the mortgage through the Canada Mortgage and Housing Corporation (CMHC) Direct Lending Program, which offers lower interest rates than other lenders. The rate for a five-year term effective for March 1 – 31, 2025 for CMHC Direct Lending is currently posted at 3.18%. At time of renewal the interest rate could differ from the posted rate as interest rates for renewals are set at the equivalent term Government of Canada benchmark bond yield plus no more than approximately 0.50% per annum compounded semi-annually.

Renewal details are shown in Table 1.

Table 1 – Mortgage Details

Building	Existing Mortgage Interest Rate	Principal at Renewal	Annual Subsidy	Remaining Term	Mortgage Maturity Date	Operating Agreement Maturity Date
Castanea Place	0.69%	\$1,386,505	\$183,142	4 yr.8 mo.	Feb. 1, 2030	Jan. 31, 2030

ALTERNATIVES

Alternative 1

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

1. That the Resolution, Pre-Renewal Checklist and Commitment to Lend required by BC Housing Management Commission to renew the mortgage for Castanea Place through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 8 months be approved; and
2. That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their duly authorized delegates, together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.

Alternative 2

That staff be directed to review other financing options based on Capital Region Housing Corporation Board direction. Please note this option would require BC Housing Management Commission's approval.

IMPLICATIONS

Financial Implications

If the Board approves the CMHC Direct Lending mortgage renewal, CRHC will continue to benefit from the preferential interest rates available through CMHC Direct Lending while also supporting the continuation of the annual rent subsidy assistance for Castanea Place until the expiry of the operating agreement.

A Board decision to not renew the mortgage under the CMHC Direct Lending Program would necessitate acquiring BCHMC's permission and securing a commitment for alternate financing through private lenders. For comparison, the current posted rates for a 5-year fixed term mortgage from Vancity is 4.09% and Scotiabank is 6.49%.

The CRHC will not have an impact on the debt servicing cost, as BCHMC will be adjusting the subsidy to absorb the interest rate increase.

An evaluation of borrowing rates shows the CMHC Direct Lending interest rate is the most cost-effective option and will ensure maximum annual rent subsidy assistance.

Prepayment of the outstanding loan balance is not a permitted option. Financing secured outside of CMHC's Direct Lending Program will result in the federal housing subsidy to be based on the lesser of the Direct Lending interest rate and the outside lender's interest rate.

The Umbrella Operating Agreement states that the economic operating costs will be recalculated on the renewal of the mortgage to consider new payments for the loan. This language ensures that the monthly subsidy amount received from BCHMC will be adjusted to absorb the anticipated increase in debt servicing costs.

CONCLUSION

The mortgage for Castanea Place is due for renewal on June 1, 2025. The most cost-effective option is to renew through CMHC Direct Lending.

RECOMMENDATION

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

1. That the Resolution, Pre-Renewal Checklist and Commitment to Lend required by BC Housing Management Commission to renew the mortgage for Castanea Place through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 8 months be approved; and
2. That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their duly authorized delegates, together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Patrick Klassen, MCIP, RPP, Acting General Manager, Housing, Planning and Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

Appendix A: Resolution of Directors
Appendix B: Pre-Renewal Checklist for Sponsor Groups
Appendix C: Commitment to Lend

CAPITAL REGION HOUSING CORPORATION
(the "Borrower")

CERTIFIED COPY OF RESOLUTION OF DIRECTORS

BE IT RESOLVED:

That the Borrower hereby irrevocably authorizes British Columbia Housing Management Commission ("BCHMC") to act on its behalf to renew the mortgage presently held by Canada Mortgage Housing Corporation (the "Mortgage") for the project located at 2860 Quadra Street, Victoria, BC (BCHMC File no. 13326/704/ CMHC# 18435115).

BE IT FURTHER RESOLVED:

That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their respective duly authorized delegates, together or either of them along with any one officer or director of the Borrower, for and on behalf of the Borrower, be and are hereby authorized to execute and deliver under the seal of the Borrower or otherwise, all such deeds, documents and other writings and to do such acts and things in connection with the Mortgage assignment, renewal and amendment as they, in their discretion, may consider to be necessary or desirable for giving effect to this resolution and for the purpose of fulfilling the requirements of the lender of the monies.

I, Edward Robbins, Chief Administrative Officer of the Capital Region Housing Corporation hereby certify the above to be a true copy of a resolution duly passed by the Directors of the Borrower at a meeting held on the _____ day of _____, 2025 and that such resolution has not been rescinded, amended or modified and is now in full force and effect.

WITNESS my hand this day of _____, 2025.

Witness

Name:
Title:

PRE RENEWAL CHECKLIST FOR SPONSOR GROUPS

To ensure that your mortgage renewal proceeds without problems due to insufficient information, may we require your co-operation in completing and returning this checklist. Please return a copy of this checklist to BCHMC as soon as possible. If we can be of assistance, please do not hesitate to email us at WRMortAdmin@bchousing.org.

If you have more than one subsidy account with CMHC, please complete this checklist for only the account identified on this checklist.

CMHC Reference:	18435115
BCHMC Reference:	13326/704
Name/Address of Sponsor	Capital Region Housing Corporation 631 Fisgard St Victoria, BC V8W 1R7 (CHANGE IF INCORRECT)
Contact Person/Telephone	Don Elliott, Senior Manager PH # 250-388-6422 FAX # 250-361-4970 (CHANGE IF INCORRECT)
Project Property Address	2860 QUADRA ST, Victoria, BC (CHANGE IF INCORRECT)
Mortgage Renewal Date	June 01, 2025

IMPORTANT: The sponsor shall indicate hereunder, by signature of its authorized representatives its agreement to the renewal/amendment of the mortgage through **CMHC Direct Lending**.

_____ Authorized Representative	_____ Position	_____ Date
------------------------------------	-------------------	---------------

_____ Authorized Representative	_____ Position	_____ Date
------------------------------------	-------------------	---------------

Please attach a completed and signed Mortgage Loan Renewal Authorization (form attached).

PRE RENEWAL CHECKLIST FOR SPONSOR GROUPS**Encumbrances**

- | | <u>Yes</u> | <u>No</u> |
|---|--------------------------|-------------------------------------|
| 1. Since your last renewal with CMHC, are you aware of any mortgage or encumbrance registered against the project's property legal description? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. Is there any special arrangement relating to the financing that could affect the mortgage renewal in question? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

If you answered YES to 1 or 2 above, please attach a list of the property addresses and indicate for each address the approximate amount of mortgage(s) and the current lender name(s) or the nature of any encumbrances or special arrangements.

Survey

- | | <u>Yes</u> | <u>No</u> |
|--|--------------------------|-------------------------------------|
| 3. Since your last renewal with CMHC, have any changes or additions been made to the property that would affect the validity of the current survey held by CMHC? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

If YES please provide a copy of an updated Survey Certificate reflecting the changes and explain them. Costs associated with obtaining an updated survey are the responsibility of the sponsor group.

Escrow Funds

- | | <u>Yes</u> | <u>No</u> |
|---|--------------------------|-------------------------------------|
| 4. Do you have funds held in a special account which are to be used only to reduce the outstanding principal balance of this mortgage at renewal? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

If YES, please indicate below the amount and source of these funds plus the accrued interest. \$ _____ Source: _____

Taxes

- | | <u>Yes</u> | <u>No</u> |
|--|-------------------------------------|--------------------------|
| 5. How are your municipal taxes currently handled: | | |
| a) is your project tax-exempt? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b) paid through monthly instalments to CMHC? | <input type="checkbox"/> | <input type="checkbox"/> |
| c) paid directly to the municipality as due? | <input type="checkbox"/> | <input type="checkbox"/> |
| d) are the municipal taxes paid up to date? | <input type="checkbox"/> | <input type="checkbox"/> |
| <i>If NO please indicate: Amount in Arrears \$ _____</i> | | |
| <i>e) Please attach a copy of the most recent tax billing and proof of payment.</i> | <input type="checkbox"/> | <input type="checkbox"/> |

Insurance

- | | <u>Yes</u> | <u>No</u> |
|---|-------------------------------------|--------------------------|
| 6. Confirm insurance policies in effect | | |
| a) Fire Insurance? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b) For theft of chattels? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c) All perils? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| <i>d) Please attach copy of insurance policy showing total coverage, expiry date, CMHC as first loss payee and list of all insured property locations.</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Future Development

- | | <u>Yes</u> | <u>No</u> |
|---|--------------------------|-------------------------------------|
| 7. Are there any plans to develop additional units on this land in the near future? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| <i>If Yes, please indicate timing of future development: Year _____.</i> | | |

Renewal Term

8. What is the mortgage term you would prefer?
- 5 year term ☐ _____ Other, please specify: 4 years and 8 months, to expiry of Operating Agreement

PRE RENEWAL CHECKLIST FOR SPONSOR GROUPS

Charter

- | | | |
|--------------------------------------|-------------------------------------|--------------------------|
| | <u>Yes</u> | <u>No</u> |
| 9. Is your charter in good standing? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

If No, provide details and indicate whether difficulty can be resolved prior to renewal.

Title

- | | | |
|--|--------------------------|-------------------------------------|
| | <u>Yes</u> | <u>No</u> |
| 10. Title to lands is registered in the name of:
The Corporation of the City of Victoria` | | |
| 11. Has your organization had a change of name? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

If Yes, the new name is: _____
Please attach a copy of Certificate of Name Change.

Utilities

- | | | |
|---|-------------------------------------|--------------------------|
| | <u>Yes</u> | <u>No</u> |
| 12. Are all of your utility accounts paid up to date? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

PAD

- | | | |
|--|-------------------------------------|--------------------------|
| | <u>Yes</u> | <u>No</u> |
| 13. Are you registered for the Pre-Authorized Debiting System (PAD) for the direct withdrawal of your mortgage payment from your bank account? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
- If NOT, do you wish to register for the Pre-Authorized Debit system? If yes, please email us at WRMortAdmin@bchousing.org.***

- | | | |
|---|--------------------------|-------------------------------------|
| | <u>Yes</u> | <u>No</u> |
| 14. Are you aware of any circumstance that could affect the renewal of your mortgage that are not covered in this checklist? If YES, please specify | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

January 28, 2025

Capital Region Housing Corporation
631 Fisgard St
Victoria, BC
V8W 1R7
Attention: Don Elliott

**Re: Direct Lending – Commitment to Lend
Mortgage Renewal of June 1, 2025**

CMHC Direct Loan Reference Number	18435115
BCHMC Ref. Num.	13326 / 704
Property Location	2860 QUADRA ST, Victoria, BC
Borrower Applicant	Capital Region Housing Corporation
Amount of Renewal	\$1,386,504.63 (estimated)
Remaining Amortization Period	4 years 8 months

MORTGAGE SECURITY

CMHC will be renewing the existing NHA insured mortgage and related security. Repayment over the new term will be based on the following:

The loan is to be secured by a first mortgage payable by equal monthly payments of principal and interest.

You will be responsible for paying your own taxes directly to the Taxing Authority and will provide us with a copy of the receipted tax bill no later than December 1 of each year, unless you are set up to pay taxes through monthly instalments to CMHC.

INTEREST RATE

The interest rates for renewal will be set at the equivalent term Government of Canada benchmark bond yield plus no more than approximately 0.50% per annum compounded semi-annually.

RENEWAL TERMS

Conditional on the remaining amortization period of the mortgage, renewal terms offered by CMHC generally range from 5 to 10 years, plus possibly a few extra months to enable CMHC to establish a pool of mortgages.

PREPAYMENT

Prepayment of the loan will not be permitted.

FURTHER CONDITION OF COMMITMENT

CMHC reserves the right to cancel or to revise the amount of mortgage loan it will approve, if there is a material change in the terms and conditions of the mortgage loan assigned to CMHC or in the project from the particulars provided in this request or the supporting documents.

Please sign and return the Direct Lending – Commitment to Lend letter to Mortgage Administration at BC Housing.

Yours truly,



Tina Tsui
Senior Mortgage Administrator

DIRECT LENDING – COMMITMENT TO LEND

ACKNOWLEDGMENT: We have read and acknowledge the terms and conditions of the CMHC Direct Lending – Commitment to Lend

Capital Region Housing Corporation

Per:

Name:
Title

Date

**(Affix Corporate Seal
of Non Profit Sponsor)**

Name
Title

Date

I/We have the authority to bind the Corporation.