

shift identified in the progress towards RGS Goal 6 intended to increase the portion of households living in housing that meet their needs¹. The following motion was passed:

It was moved and seconded that the Regional Growth Strategy policies relating to affordable housing be included in the approved Focused Regional Growth Strategy Review.

What follows is an overview on affordable housing, current conditions in the region and approaches that the RDN can use to proactively influence non-market and market affordable housing needs across the region.

What is Affordable Housing?

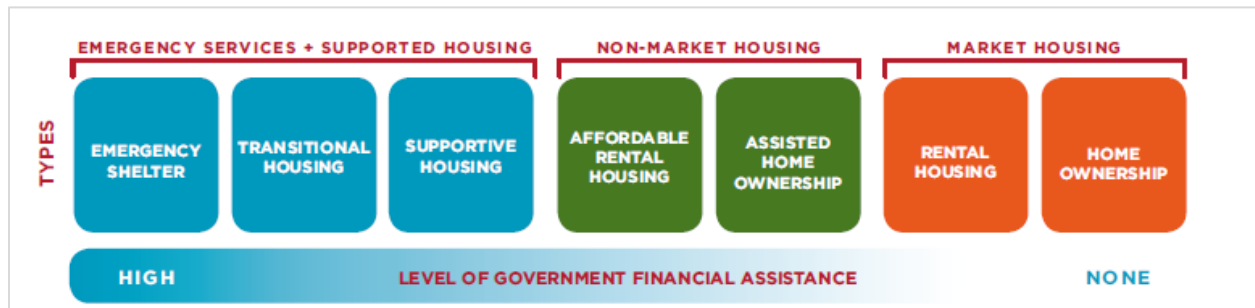
The RDN recognizes the BC Housing definition of affordable housing:

Housing is considered to be "affordable" when it costs less than 30% of before-tax household income. Housing is not affordable when it costs so much that individuals and families have trouble paying for other necessities such as food, health and transportation.

For renters, shelter costs include rent and any payments for electricity, fuel, water and other municipal services. For owners, shelter costs include mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water and other municipal services (Canada Housing and Mortgage Corporation).

The Housing Continuum (Figure 1) is commonly used to understand housing affordability. It shows a range of housing types and tenures, inferring that all residents should have the opportunity to move across the housing continuum and find housing that is suitable, appropriate and affordable and meets their needs and circumstances.

Figure 1: The Housing Continuum



Source: Nanaimo Affordable Housing Discussion Paper, April 2018

¹ The 2017 RGS Annual Report data is for the [Nanaimo and Parksville Census Agglomeration](#) and includes the City of Nanaimo, City of Parksville, Town of Qualicum Beach, French Creek, District of Lantzville, Electoral Area A, Electoral Area C, Snuneymuxw First Nations Lands, and Snaw-Naw-As First Nations Lands.

Regional Perspective on Housing Needs

In the RDN the shortage of affordable housing has historically been attributed to the widening gap between the cost of housing relative to incomes and the shortage of adequate rental stock². According to 2016 census data, real estate market statistics and other sources referenced below, this condition persists and is on the rise as a result of the recent increase in housing costs in the region.

Between 2015 and 2017 the average price for a single residential dwelling increased from:

- \$391,313 to \$518,449 for Nanaimo (Zone 4), an increase of 33%
- \$404,700 to \$548,378 for Parksville/Qualicum Beach (Zone 5)³, an increase of 36%

In terms of the affordability threshold (less than 30% of before tax income), both home owners and renters are impacted, with renter households facing the greatest challenge. Of the 50,930 owner households in the region 8,149 (16%) of households spent 30% or more on shelter compared to 17% on Vancouver Island. Of the 17,830 renter households 8,558 (48%) spent 30% or more on shelter compared to 45% on Vancouver Island⁴. As a result, the Canadian Rental Index places the region fifth in their list of “Top 10 Most Critical Scores” when compared to other regional districts in BC⁵.

To better understand the housing need, the BC Non-profit Housing Association⁶ has published a report estimating the current need for housing in BC broken down by region. According to the report, the current rental supply backlog in the RDN is 1,779 units. This total includes core housing need households (average income \$18,501) and middle income households (average income \$51,978). The report also provides a break down of the total average annual investment needed to support current and future affordable housing supply needs. In the RDN, it is estimated that the annual cost is \$68 million, of which 25% or \$17 million is considered the community's share.

Given that provisions for affordable, adequate and suitable housing remains a challenge in the RDN and other areas in BC, the recently launched Strategy and funding programs presents new opportunities for all levels of government to help address housing needs across the housing continuum.

Overview of the National Housing Strategy

The [National Housing Strategy: A Place to Call Home](#) is an ambitious 10 year, \$40 billion commitment to address housing needs from shelters and transitional housing to affordable rentals and homeownership. The Strategy's goals include:

- reducing chronic homelessness by 50 percent;

² Regional District of Nanaimo Housing Needs Overview, January 2009 https://www.rdn.bc.ca/dms/documents/planning/affordable-housing/meeting-regional-housing-needs/phase_1_-_housing_needs_overview.pdf

³ Zone 4 & 5 is the classification used by the Vancouver Island Real Estate Board. When combined, the two zones represent the RDN electoral areas and member municipalities.

⁴ Statistics Canada, 2016 Census

⁵ Canadian Rental Housing Index http://rentalhousingindex.ca/en/#rhi_cd

⁶ BC Affordable Housing Plan Regional Breakdown: Nanaimo Regional District http://bcnpha.ca/wp_bcnpha/wp-content/uploads/2017/04/Nanaimo.pdf

- removing more than 530,000 households from housing needs;
- creating four times as many new housing units as built under federal programs from 2005 to 2015;
- repairing three times as many existing housing units as repaired under federal programs from 2005 to 2015; and
- protecting an additional 385,000 households from losing an affordable place to live.

To achieve these goals, the Strategy features at least 20 targeted initiatives to advance the intended outcomes. The provinces and territories are the primary partners in the Strategy, while local governments, and private and non-profit sectors are identified for select initiatives. Local governments are eligible to apply for, or become a funding partner in, the National Housing Co-Investment Fund and the Affordable Housing Innovation Fund.

The National Housing Co-Investment Fund (including \$4.7 billion in capital grants and \$11.2 billion in low-interest loans), is composed of two streams: new construction, and housing repair and renewal. Partnerships are a required feature of this fund to maximize investment and to ensure efforts are coordinated. To be eligible for this fund the federal funding must be supplemented by investment from provincial or local government and can include in-kind and cash contributions.

The second program, the Affordable Housing Innovation Fund (\$200 million fund) is designed to support the development of innovative approaches to affordable housing, including innovations in building design and/or financial models. Eligibility is limited to individuals, corporations and organizations. While a local government would not be eligible, a non-profit housing organization or a corporate entity, such as a Regional Housing Corporation would be eligible.

The new Strategy represents a shift in federal housing policy away from the traditional 'social housing' model towards mixed-income developments. Mixed-income housing is a widely accepted approach to creating affordable housing options because it includes diverse types of housing units (eg., apartments, townhouses, duplex and single dwellings) for a range of income levels. The Strategy also sets out opportunities for all levels of government to get involved in implementation, including direct delivery of housing programs as illustrated by the Co-Investment Fund.

Aligned with the federal approach, the Province of BC has already allocated \$7 billion over the next ten years to create and preserve affordable housing in BC. The two main funding programs are the Community Housing Fund and the Community Partnership Initiatives. The Community Housing Fund is aimed at non-profit housing or for-profit firms that partner with non-profit societies to build and operate new rental units. The Community Partnership Initiative differs in that it provides financing to help non-profit societies create affordable housing developments. Local governments are not eligible to apply, but they can be an investment partner or as in the case of the Community Partnership Initiative can participate through a Regional Housing Corporation.

While the recent shift in federal and provincial direction provides more options, what remains to be decided is how the RDN can become involved, or more specifically, what role the RDN should play in affordable housing? To provide background for this discussion, the remainder of this report provides a summary of the RDN's affordable housing initiatives, ways local governments can get involved and recommendations for potential next steps.

Affordable Housing Initiatives in the RDN

In 2009, the RDN's Housing Needs Overview report confirmed that the supply of affordable housing throughout the region fell short of meeting the needs of those least able to afford adequate housing. Earlier works confirmed that the availability of developable land was not a contributing factor. The 2006 Land Inventory and Residential Capacity Analysis⁷ determined a dwelling unit capacity of 49,063 units across the region. At fault was the widening gap between the cost of housing relative to peoples' incomes and the shortage of rental housing stock.

Following the needs assessment, the report Connecting Housing Needs and Opportunities addressed solutions, which were incorporated into the current RDN Housing Action Plan (the Plan), see Attachment 1.

The Plan sets out opportunities and clear actions to influence affordable housing using existing RDN resources. Within this defined scope, the Plan's focus is on land use provisions and other activities aimed at raising awareness, and to coordinating efforts amongst government agencies, non-profits and private business. A review of the Action Plan reveals that many of the actions have been completed or are considered on-going communication/facilitation activities. A few highlights of this work include:

- integrated affordable housing policies into the RGS
- integrated affordable housing policies into some Official Community Plans (OCP) (e.g., Area A OCP includes provisions for housing agreements to secure affordable housing units and Area H OCP acknowledges acquiring affordable housing as a community amenity contribution),
- adopted regulations in support of secondary suites in most rural and residential zones in Areas A, C, E, F, G and H⁸,
- on-going actions to support initiatives of others (Oceanside Task Force on Homelessness and the City of Nanaimo Affordable Housing Strategy),
- waiving fees for non-profit organizations associated with development applications (eg., Bowser Seniors' Housing Project), and
- awareness raising through annual updates of the housing resource list, extreme weather shelter brochure/poster and the RDN affordable housing webpage at www.rdn.bc.ca/rdn-affordable-housing

In addition to these efforts, the RDN has been an investment partner in the development of one housing project in particular. In partnership with the Province, RDN, City of Parksville, and Town of Qualicum Beach, funding was provided for the purchase of a property in Parksville for the purpose of building a 50 unit supportive housing facility. The RDN's contribution was made possible through the Community Grants provisions in the Local Government Act.

⁷ To continue to monitor the region's land resources, the RDN's Land Inventory and Capacity Study is scheduled to be updated as part of the scheduled 2018-19 Regional Growth Strategy Review.

⁸ Secondary Suites Bylaw Amendment No. 389, adopted May 27, 2014.

Rural Character and Current Conditions

Housing issues in rural areas are quite diverse and are heavily influenced by a region's proximity to major urban areas; whether it has been designated as a potential resort or retirement community; and whether there has been population decline or growth in recent years.

In addition to these external factors, low population density can restrict transportation options and lower incomes of some rural residents, which often puts them at a disadvantage in finding suitable accommodations. The RDN shares many of these same rural characteristics and is also attributed with a lack of rental housing and general high market appeal that serves to maintain high property values. Consequently, the RDN has developed select policies and regulations in support of affordable housing. The intended outcomes however have been slow to develop. This may be attributed in part to limitations of the current policies and regulations and limited implementation. However, of greater influence is the lack of diversity in rural housing types and the intentionally low volume of development in rural areas compared to urban areas.

Traditionally, the rural housing market is quite homogenous, limiting residents' options regarding type and tenure of housing. In the RDN, the current dominant structural type and tenure is owner households of single detached dwellings. The current housing capacity of single dwelling units is considered adequate to meet projected housing demand until 2031. In comparison, ground-oriented dwelling unit capacity is only adequate to meet the projected housing demand to 2021⁹. Despite policies and regulations in place to encourage different types of housing, the uptake has been insufficient to help address the increased need for affordable rental and market housing options. Secondary suites is one example where the provisions are in place, but the uptake has been low. Since 2014, only 38 building permits have been issued for secondary suites. Even so, secondary suites are a proven option for affordable housing and should continue to be encouraged along with other types of ground-oriented dwellings.

Another obstacle to improving affordable housing in rural areas is the lack of multi-residential development that would lead to securing additional community amenities. Local governments can incorporate policies to encourage amenity contribution negotiations as part of the rezoning process. This type of policy is successfully used in many urban areas (eg., City of Nanaimo), but to a lesser extent within the rural areas in the RDN. Generally, amenity contributions would be triggered by rezoning for a multi-residential development, which may only occur once a year, or not at all. This is further hindered by the current lack of amenity policies that seek affordable housing as an amenity contribution. In the rural context, amenities are generally acquired for park land, trails, bus stops and road dedication. The exception to this is the recently adopted Area H OCP, which provides the strongest policy direction by seeking a broad array of amenities, inclusive of affordable housing units or a financial contribution to a RDN affordable housing fund (should one be established).

In the RDN, many of the current policy and regulatory approaches in place provide fringe benefits. They also set a precedent for seeking solutions, and make room for enacting larger changes towards long-term planning for sustainable affordable housing.

⁹ RDN Land Inventory and Residential Capacity Study, 2007

Opportunities and Approaches for Influencing Affordable Housing in the RDN

The implementation hierarchy set out in the Connecting Housing Needs and Opportunities report is a useful starting point for investigating potential next steps and further approaches best suited to the residents and areas within the RDN. As illustrated in Figure 2, just over half of the strategies have been completed or are on-going (green) through the implementation of the RDN Housing Action Plan.

Figure 2: Housing Implementation Hierarchy

Potential Strategies To Support Development Of Affordable Housing In The RDN	
Completed and/or ongoing	1 Raise Awareness. Of existing housing needs. Of existing housing programs.
	2 Support for Others' Initiatives. Assist non-profit societies that are actively pursuing government funding for special needs groups. Encourage non-market housing providers to "regenerate" existing social housing sites.
Not started	3 Research and Networking. Work with major employers and business associations to investigate an "employer assisted housing program". Seek funding from BC Real Estate Foundation
Completed	4 Policy. Continue to support infill/development, including manufactured housing, in serviced Village Centres.
	5 Policy. Include housing policies in RGS. Include housing policies in OCPs.
	6 Policy. Develop a region-wide policy on secondary units (suites, secondary dwellings) in Village Centres and rural parts of Electoral Areas.
Some progress	7 Policy. Continue to implement the 2006 Manufactured Home Park Redevelopment Policy.
	8 Regulatory Tool – Amenity Rezoning. Develop a policy / program to generate affordable home ownership through new development. AKA known as "Inclusionary Housing".
Not currently being advanced	9 Regulatory Tool – Zoning. Update zoning bylaws in serviced Village Centres to encourage small houses on small lots / infill or new subdivisions. Meets other sustainability objectives.
	10 Financial Measure. Investigate the establishment of a Regional Housing Trust Fund.
	11 Regional Housing Corporation. Build and maintain rental housing.

Of the remaining strategies (yellow/orange), there is an opportunity to pursue a combination of policy, regulatory, financial and housing management strategies that are consistent with affordable housing best practices. Pursuing this course would be a shift for the RDN, but it would also establish a more strategic and regional approach to affordable housing that brings economic, environmental and social returns. Each dollar invested by the region can be leveraged to access provincial and federal funding resulting in new construction. Housing production creates design opportunity to include energy conservation and each new unit generates local employment. The key components of a regional approach to affordable housing are detailed below.

Policy Considerations

The RGS provides the policy framework for managing growth within the RDN. Within the 11 goals of the RGS, Goal 6 provides the policy context intended to support and facilitate the provision for appropriate, adequate, affordable, and adaptable housing. Under the current conditions, it is both timely and necessary to strengthen the RGS policies relating to affordable housing. Acknowledging this need, the applicable policies have recently been added to the 2018-2019 RGS review.

Were the Board to support advancing a regional approach to affordable housing, it is recommended that this work is included as a sub-project to the RGS review to coordinate with the review of the RGS affordable housing policies.

Zoning Considerations

In order to strengthen and clarify land use provisions for affordable housing, additional types of provisions can be considered, such as:

- a. encourage pre-zoning within an OCP to support development within Rural Village Centers and to provide developers with more certainty;
- b. encourage inclusionary zoning to require affordable units through new multi-residential developments, aligned with mixed-income housing models (eg., Ucluelet and Langford);
- c. as an alternative to pre-zoning or inclusionary zoning, a housing agreement bylaw can be used to secure new affordable housing stock or specific terms such as rental or leasehold rates (eg., Islands Trust);
- d. density-bonus zoning within residential lots to permit a duplex or triplex within the same building footprint as a single dwelling unit, and
- e. consider provisions to accommodate year round residency within alternative housing options, such as recreational vehicles or tiny homes.

Provisions such as pre-zoning, inclusionary zoning and housing agreements may be more suitable to urban areas within the Growth Containment Boundaries and the Rural Village Centers. Density-bonus zoning, in much the same way as secondary suites, allows a number of households to be housed on a single residential lot without creating an additional building footprint. This design increases the affordability of housing as the cost of land is shared between the households and it may reduce sprawl by encouraging a form of in-fill suitable for rural villages in the RDN.

Long-term stay provisions enable year-round residency within recreational vehicles or tiny homes and are suitable to both rural and some urban areas. By regulating the use this may help to address issues arising in areas where this type of residency is already occurring and facilitate new opportunities. Managing alternative housing options through a temporary use permit or rezoning process is key. As a condition of approval, a standard of public health and safety can be achieved to provide adequate, suitable, as well as affordable housing options for some residents.

Financial Measures - Regional Affordable Housing Service and Reserve (Trust) Fund

The establishment of a financial contribution service and reserve fund is a proven and increasingly used approach in BC to help address region-wide housing needs. The service would be used to build a capital reserve fund, from which non-profit housing providers could access funding for new affordable housing projects, or renovations to existing affordable housing that benefit communities in the region.

The Capital Regional District (CRD) is one of the first regional districts in BC to implement a Regional Housing Trust Fund (RHTF), which has proven to be pivotal in moving forward on their key housing priorities. Within the first five years of the program \$3.4 million was granted, generating 281 units over 17 projects. These funds are also used to leverage other funds from federal and provincial providers.

Following the success of the CRD's program, other regional districts facing the same challenges have implemented similar approaches, including the Comox Valley Regional District in 2015. More recently, the Cowichan Valley Regional District is evaluating the establishment of a regional service. Experience shows that there are a number of benefits to establishing a service. A top benefit is the ability to adopt a strategic approach to meeting housing priorities across the region and to develop the necessary long-term relationship with housing developers and housing agencies to implement 'brick and mortar' housing projects. RHTFs are also complementary to existing municipal trusts (eg., City of Nanaimo Housing Legacy Reserve Fund) as they can use regional funds to leverage other funding, which can further assure that funding is distributed equitably throughout the region.

The main challenge with a RHTF is there must be a commitment to a regular and ongoing source of funding. The source of funding may come from new sources such as an amenity contribution for new multi-unit residential developments. The associated amount may be seen as the cost of doing business to developers, but may not be adequate to address the level of need. Alternatively, a regional affordable housing service could be created that would spread the cost across the region. If the Board were to support a RHTF in principal, it is recommended that the RDN work with the member municipalities and non-profit housing organizations to further investigate this opportunity.

Housing Management - Regional Housing Corporation

A regional housing corporation enables a regional district to become a shareholder of the corporation, which owns and operates a range of housing units. This housing is often a mixture of market rental units and subsidized housing, allowing the regional district to maintain affordability of housing units. One challenge is that the corporations have to compete for funding unless they have access to permanent, on-going government support such as a RHTF as in the case of the CRD and the Capital Region Housing Corporation.

Establishing a housing corporation is not integral to establishing a successful affordable housing program and may be worth exploring at a future date in the event that the RDN were to establish an affordable housing service and reserve fund.

The Changing Role of the RDN in Affordable Housing

In addition to the financial consideration of establishing an affordable housing service, there may be some reluctance from some decision-makers and residents to expand the existing role of the RDN in influencing affordable housing. To some extent this position is understandable since traditionally housing policy has been the responsibility of the federal and provincial governments. This changed in the late 1980s when the federal policy direction shifted by assuming the free-market economy would adjust to fill the gap. Since affordable housing is not considered by developers to be the highest and best use of the land, developers did not respond as envisioned. Instead, local governments in BC and elsewhere have gradually become more active in housing. This is evident by the examples in this report as well as the accumulated works of the RDN that have resulted in the RDN's Housing Action Plan.

While much has been achieved through the implementation of the Action Plan, it is clear that additional tools are needed to help address the growing need in affordable rental and owned housing in the region. While some additional policy and regulatory tools can be considered, the greatest opportunity for the RDN to influence affordable housing rests in establishing financial measures with housing management as a possible future development. Experience shows that a regional approach to housing has accumulated community benefits and enables local

government to become an investment partner through programs like the National Housing Co-Investment Fund and/or any subsequent federal and provincial funding programs.

ALTERNATIVES

1. Receive this report for information and provide direction to create a regional approach to affordable housing that considers partnership development, and the creation of a regional affordable housing service and reserve fund.
2. Provide alternative direction.

FINANCIAL IMPLICATIONS

The financial implications would include retaining a consultant to investigate a regional housing approach and financial contribution service. To support this work, the RDN would seek opportunities for applying for a grant from the Real Estate Foundation. In addition, funds have been established to conduct service reviews for RDN functions. These funds have not been allocated to any one service and, with the Board's approval, could be used to investigate an affordable housing service.

STRATEGIC PLAN IMPLICATIONS

The Board 2016-2020 Strategic Plan includes a strategic focus on service and organizational excellence with a priority to invest in regional services that are effective and efficient. It also has a focus on relationships where the RDN looks for opportunities to partner with other governments and community groups to advance the region, which could be achieved once an affordable housing service is established. Further to this, the Board has made a commitment to plan for the impact of our aging population. Affordable housing is a priority for all ages. As residents age, meeting the future housing needs of seniors is projected to outpace other age groups because of the size of the population.

The recommendation in this report, builds on previous RDN affordable housing studies, aligns with the objectives of the RDN's Housing Action Plan and with the RDN's governing principles of 'Represent the Interests of the Region', 'Work Effectively as a Team' and 'Focus on Solutions'.



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Attachment:

- Regional District of Nanaimo Housing Action Plan