

Attachment 2: Policy Rationales & Options

The following tables identifies key policy recommendations embedded in the Draft Affordable Housing Policy and Implementation Plan and for each provides details about background data or rationale on which the recommendation is based. Where applicable, the table also provides other options and notes on the relative merits of those options.

This document does not provide details related to every policy statement in the Affordable Housing Policy but focuses on policies that establish a numerical threshold/requirement and policies that are anticipated to generate interest or questions. The policy recommendations are organized in the order they appear in the Affordable Housing Policy, except that definitions are placed as they appear context of the policy that they are most connected to.

Policy Recommendation (and Section #)	(Definitions) Affordable Housing Development must have at least 40% Affordable Dwelling Units
Background & Rationale	• The significance of this definition is to require that projects meet this % of affordable units to qualify for Municipal programs such as financial incentives • Goal is to establish a high requirement for affordable units before allocating scarce resources • Sector "best practice" is to combine affordable and market units in the same development to encourage communities with socio-economic mix and prevent stigmatization of affordable housing developments • Definition allows private developers to qualify for financial incentives if they can meet the required affordability thresholds • Should be considered in the context of the definitions for Affordable Housing Units
Other Options	• Required % of affordable units could be set higher or lower • Required % of affordable units could be established later in the context of each specific to be determined financial incentive • Financial incentives could be applied proportionally to the number of affordable units (e.g., if 25% of the development is made up of affordable units then 25% of the development would be eligible for incentives)

Policy Recommendation (and Section #)	(Section 8.4) Track business licenses for short term rentals
Background & Rationale	- Available data does not indicate that short term rentals are as large scale an issue in North Cowichan as has been seen in some other jurisdictions: - Data from "AirDNA.com" indicates that there are approximately 200-250 short term rental listings in North Cowichan of a total of approximately 15,000 units in the community - The 2021 census data indicated a drop in the number of private dwellings not occupied by usual residents from 647 dwelling units in 2016 (4.8% of the total # of dwellings) to 525 dwelling units in 2021 (3.7% of the total # of dwellings) - Economic Development North Cowichan (Workforce Housing Strategy) and the Province (Homes for People Plan) are both working on the short term rental issue and may make recommendations or impose regulations that apply to North Cowichan
Other Options	- Pursue an enforcement program to encourage short-term rental businesses to get a business license - In 2022 there were 46 active business licenses for "bed and breakfasts" (which would include short term rentals), indicating that approximately 75% of active listings do not have a license - Review the zoning bylaw regulations around short-term rentals and consider making them more restrictive - Staff recommend waiting to see the results of the work being done by Economic Development Cowichan and the Province

Policy Recommendation (and Section #)	(Section 9.1(a)) A minimum of 10% of all units (whether for rent or sale) in any Housing Development Project should be provided as Affordable Housing Units
Background & Rationale	- OCP Policy 5.2.2 calls for an affordable housing strategy including specific targets 10% target would apply to any new development that requires a zoning bylaw amendment and the affordable housing contribution would be considered part of their community amenity contribution (CAC) - Comparison with similar policies in other municipalities shows a range targeting between 5-20% affordable units

	• Potential impact of the 10% target is estimated to be the potential creation of 12 new affordable units per year (based on a steady growth rate of 1.6% and assuming ½ of all projects require a rezoning) • This target (in conjunction with the definitions) will be reviewed as part of the financial analysis for the CAC Policy and adjustments may be recommended • Policy should be considered concurrently with the definitions of Affordable Housing Units
Other Options	• Target % of units could be increased or lowered
	• Certain types of developments could be exempted from the 10% target (e.g., purpose-built rentals)
	• Policy could be tabled until the results of the financial analysis for the CAC Policy are presented to Council (anticipated Q3 2023) ○ This may result in missed opportunities to negotiate affordable housing contributions for in-stream zoning amendment applications ○ Note that this policy is non-binding and allowances can be made to accommodate site-specific considerations if necessary. It can also be amended at any time in the future

Policy Recommendation (and Section #)	(Definitions) Affordable Housing Unit – Ownership is defined as being 20% below the market value (based on local benchmark prices)
Background & Rationale	• The numbers will change over time but are easy to calculate • Estimate that using this calculation, a townhouse unit in 2023: ○ Could be sold for a maximum of \$448,640 ○ Would be “affordable” for up to 42% of North Cowichan Households
Other Options	• Define Affordable Housing Unit – Ownership based on higher or lower % of the market value ○ A larger % below the market value would be affordable for more households but would require a deeper subsidy compared to the private market ○ A smaller % below the market value would be affordable for fewer households but would require less subsidy compared to the private market
	• Define Affordable Housing Unit – Ownership based on a mortgage equal to 30% of median household income (assuming a minimum down payment) ○ Household income data is less readily available compared to other options ○ Estimate that using this calculation a townhouse unit in 2023:

	▪ Could be sold for a maximum of \$340,000 (40% below benchmark prices) ▪ Would be “affordable” for up to 50% of North Cowichan Households
	• Define Affordable Housing Unit – Owner at a specific price point: ○ Easy to calculate but may be out-of-date very quickly (e.g., Langford’s price was set at \$165,000 in 2012 which would be difficult to achieve today) ○ Rate of affordability in 2023 would depend on price point selected, more research would be required for staff to recommend a price.

Policy Recommendation (and Section #)	(Definitions) Affordable Housing Unit – Rental is defined as being the Average Market Rent for the Duncan CA
Background & Rationale	• The “Average Market Rent” is local data published annually by CMHC for different unit sizes, meaning this number will change over time and be easy to calculate when needed • The costs are lower than the cost typically seen for an active real estate listing because the data includes existing (rent controlled) long-term tenancies • Estimate that using this calculation a 2-bedroom unit in 2023: ○ Could rent for a maximum of \$1,136 per month (30% lower than current market rates of approximately \$1,600 per month) ○ Would be “affordable” for approximately 76% of North Cowichan Households
Other Options	• Define Affordable Housing Unit – Rental based on 30% of the BC Housing Income Limits: ○ Local data is published annually, and number will be easy to calculate when needed ○ Estimate that using a calculation for a 2-bedroom unit in 2023: ▪ Could rent for a maximum of \$1,150 per month (30% lower than current market rates of approximately \$1,600 per month) ▪ Would be “affordable” for approximately 76% of North Cowichan Households • Define Affordable Housing Unit – Rental as 10% below current market rates: ○ Data on current market rates would be difficult to obtain/may need to be calculated for each individual development ○ Estimate that using a calculation for a 2-bedroom unit in 2023: ▪ Could rent for a maximum of \$1,440 per month (10% lower than current market rates of approximately \$1,600 per month)

	○ Would be “affordable” for approximately 64% of North Cowichan Households
	● Define Affordable Housing Unit – Rental as 30% of a low-income household income (40th percentile) ○ Household income data is less readily available compared to other options ○ Estimate that using a calculation for a 2-bedroom unit in 2023: ▪ Could rent for a maximum of \$1,475 per month (8% lower than current market rates of approximately \$1,600 per month) ● Would be “affordable” for approximately 64% of North Cowichan Households

Policy Recommendation (and Section #)	(Definitions) Market Value as Appraised Value OR Benchmark Price for Local Area
Background & Rationale	● Benchmark Prices for different types of units (single family, townhouse, and apartment) are published by the Vancouver Island Real Estate Board regularly, they change over time and are readily available ● Definition allows the flexibility for developers to complete an appraisal if they choose ● Consider these scenarios: ○ If appraisal is higher than the Benchmark Prices, the resulting price of provided units becomes higher (less affordable) ○ Benchmark Price becomes the ceiling for calculating cash-in-lieu for higher end housing developments ● Definition should be considered in the context of the definition for Affordable Housing Unit – Ownership and in the context of the cash-in-lieu of on-site affordable housing options
Other Options	● Define Market Value as Appraised Value only ○ An appraisal would be required for every development ● Define Market Value as Benchmark Price only ○ Little nuance for considering the variables of housing prices

Policy Recommendation (and Section #)	(Section 9.1.(b)) Equivalent Cash-in-lieu requirement 2% of Market Value of entire Housing Development Project
Background & Rationale	• It is difficult for cash contributions to offset the loss of hypothetical affordable units considering the effort and cost required to plan and construct affordable housing projects • 2% of the Market Value is considered "equivalent" to the provision of on-site affordable units considering: ○ the target is for 10% of the units to be affordable, and ○ the definition for affordable housing unit – ownership is set at 20% below the benchmark price ○ $10\% \times 20\% = 2\%$ • Sample calculations for cash-in-lieu of affordable housing contributions: ○ for a 20-lot subdivision (based on a Benchmark Price of \$736,700 from Feb. 2023): ▪ 10% of units = 2 units ▪ $\\$736,700 \times 20 \times 2\% = \\$294,680$ (\$14,734 per unit) ○ for a 20-unit apartment development (based on a Benchmark Price of \$398,800 from Feb. 2023): ▪ 10% of units = 2 units ▪ $\\$398,800 \times 20 \times 2\% = \\$159,520$ (\$7,976 per unit)
Other Options	• Cash amount could be set higher or lower • Option for cash-in-lieu could be restricted so it is only accepted under certain circumstances (e.g., only for smaller developments)

Policy Recommendation (and Section #)	(Section 9.3) Housing Design Targets for 20% of units in multi-family buildings to be 2-bedrooms+ and 10% to be 3+ bedrooms
Background & Rationale	• OCP Policy 5.1.3. calls for including a mix of unit sizes in multi-family buildings • Many new multi-family buildings consist of studio and 1-bedroom units with few (or no) larger units • Note that this target still allows for a development to consist of 80% studio and 1-bedrooms • 2-3 bedroom units can be suitable for families with children, downsizing seniors, empty nesters, extended families, people who want a home office, and roommate arrangements

	• The 2021 Housing Needs Report identified a need for mainly 1-bedroom units in North Cowichan, however this recommendation assumes that 1-bedroom units will be suitable for 2-person/1-couple households which does not reflect market preferences of many households ○ Note that 2 person households make up 41% of North Cowichan households (2021 Census) • North Cowichan is well served with 3+ bedroom units in the form of single-detached homes, however in general 3+ bedroom detached homes are significantly more expensive than 3+ bedroom units in a multi-family building • The policy is written to allow the design requirements to be waived in exceptional circumstances, an example of this might be a development of “micro-units” offering a very affordable product
Other Options	• Target %'s could be increased or decreased
	• Targets could be removed

Policy Recommendation (and Section #)	(Section 9.3) Housing Design Targets for 20% of units in multi-family buildings to be single level dwellings and 10% to be built to be adaptable or accessible
Background & Rationale	• OCP Policy 5.1.3. calls for creation of more accessible housing • Many new multi-family developments consist entirely of 3-storey townhomes which are not suitable for people with mobility challenges and may not be desirable for seniors and families with young children ○ 28.7% of North Cowichan residents are aged 65+ (2021 Census) ○ 6% of North Cowichan residents are aged 80+ (2021 Census) ○ Population is aging with these percentages projected to increase • The policy is written to allow the design requirements to be waived in exceptional circumstances
Other Options	• Target %'s could be increased or decreased
	• Targets could be removed