

Report

Date September 4, 2024
Subject Action Plan for Housing Accelerator Fund – Round 2

File: SPP00097

PURPOSE

To seek Council authorization to apply to Canada Mortgage and Housing Corporation's (CMHC) Housing Accelerator Fund – Round 2 and to present the draft North Cowichan 2024 Housing Accelerator Action Plan ("Action Plan") which will be included in the application.

BACKGROUND

The Housing Accelerator Fund (HAF)¹ is a federal initiative administered by the CMHC targeting local planning authorities (primarily municipalities). The program is designed to incentivize local authorities to undertake projects ("initiatives") that result in increased housing supply (measured as additional units) in the short term and systemic changes that will improve housing and community outcomes and increase stability and predictability in the housing system for the long term.

In the summer of 2023, North Cowichan submitted an ambitious but realistic application predicated on delivering an additional 2,700 units over three years, which, according to the HAF's calculator, yielded a funding bid for over \$87M. Unfortunately, the application was not approved; however, earlier this spring, the federal government allocated \$400M for a second round of funding. In July, staff were notified that North Cowichan is eligible to reapply as an unsuccessful previous applicant. The application deadline is September 13, 2024.

DISCUSSION

Follow-up conversations with CMHC's HAF team did not identify any fundamental deficiencies or weaknesses with the 2023 application, noting that the scheme was heavily over-subscribed by competing local governments across Canada. Given the short timeline to resubmit and the lack of negative feedback, the draft application includes significant carry-over from Round 1. Like in 2023, the seven proposed initiatives focus on projects that are already identified in our workplan and/or that dovetail closely with the Council Strategic Plan priorities.

Although the ambitious ask for HAF in 2023 was realistic, the 2024 request has been significantly adjusted for two reasons:

- There are still over 300 eligible applicants for the Round 2 funding, which is only funded to 10% of the previous amount,² and,
- Based on comparing the amounts granted to successful applicants of similar size to North Cowichan.

¹ For more information about the Housing Accelerator Fund, including the Pre-application Guide, follow this link: <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/housing-accelerator-fund>

² In 2023, the \$4-billion HAF program received over 500 applications, of which less than 200 were funded.

Relatedly, the scopes of the initiatives included in the Action Plan (below) have been adjusted to reflect the reduced funding request and to allow for faster implementation (a scored evaluation criterion). An example of a reduced scope is from a Round 1 initiative to update all the Development Permit Area Guidelines to a Round 2 initiative of updating the Development Permit Area Guidelines only as they pertain to 3 and 4-unit residential buildings.

North Cowichan 2024 Housing Accelerator Action Plan

The following subsections provide an overview of the draft North Cowichan 2024 Housing Accelerator Action Plan. To apply for funding, applicants must commit to accelerated housing growth targets and initiatives designed to meet those targets. Note that the information provided is in general/draft form and may be refined before submission to CMHC.

HAF Housing Target

The Action Plan identifies a target of 546 HAF-incentivized units in the three years ending in December 2027. These are additional units that will develop in this time as a direct result of the seven initiatives that we undertake. Without completing the seven HAF initiatives, the baseline housing projection anticipates a total of 892 units during that time, based on an annual growth rate of 1.94%. With HAF, the projection is for a total of 1,438 units, resulting in an annual growth rate of 3.14%. Note that this increased rate of housing development would meet the community's housing needs as identified in the draft Interim Housing Need Report (presented under a separate cover).

Estimated Eligible HAF Funding

Based on the target of generating 546 additional units during the HAF program, North Cowichan could be eligible for approximately \$16.4M³ in funding. In Round 1 of the HAF program, it was typical for the final funding agreement to be less than what municipalities had initially requested, and this could occur similarly in Round 2.

A portion of the HAF funding must be used to complete the seven initiatives at an estimated cost of \$1.5-2M.

The remaining HAF funding can be spent on any eligible expenditure. The eligible expenditures are wide-reaching and are⁴:

- Investments in affordable housing (e.g., construction, repairs, or land acquisition for affordable housing),
- Investments in housing-related infrastructure (e.g., drinking water or wastewater infrastructure for residential users), and,
- Investments in community-related infrastructure that supports housing (e.g., sidewalks or greenspace).

³ Note the funding is not based on the estimated project costs (i.e., for a typical grant, you apply for funding to pay for a specific project and the grant funding amount is based on the project budget and is used towards paying for that project). Instead, the grant funding is based on a per-unit amount for each extra housing unit that would not have been developed without HAF funding and initiatives (i.e., "HAF incentivized units"). A higher number of potential "HAF incentivized units" results in a higher grant allocation, regardless of the cost of the projects. The funding calculation includes a per-unit "base amount" and several "top-up" amounts for types of housing that best align with the HAF objectives (e.g. missing middle housing and affordable housing).

⁴ The full list of eligible expenditures begins on page 6 of the program [guide](#).

HAF Initiatives

As a “large/urban stream” (population over 10,000) applicant to the HAF, North Cowichan is required to identify seven initiatives designed to accelerate housing development and meet our identified HAF housing target. Some initiatives are already underway, which is permitted by the HAF program. An additional requirement is that all “large/urban stream” applicants must commit to “ending exclusionary zoning” which North Cowichan has already fulfilled with the Bill 44 related zoning amendments.

The CMHC identified 10 “[best practices](#)” from the 2023 applications. Each proposed initiative is required to align with at least one of the best practices. The following table provides an overview of the proposed initiatives and how they align with the best practices:

Table 1: Proposed HAF Action Plan Initiatives

Proposed Initiative 1	Remove Barriers to Development in the Bell McKinnon Growth Centre (Underway)
Aligned Best Practice(s)	# 7 – Eliminate Restrictions and Add Flexibility # 10 – Design and Implement Guidelines
Description/Objectives	<ul style="list-style-type: none"> Complete pre-planning work to support the implementation of the BMLAP and to reduce the time required to process individual development applications. The HAF funding may also be used to support infrastructure projects that will unlock development in this area.
Proposed Initiative 2	Encourage and Fast-Track Accessory Dwelling Units (ADUs) (Underway)
Aligned Best Practice(s)	# 9 – Design and Implement Guidelines #10 – Develop Grant Programs
Description/Objectives	<ul style="list-style-type: none"> Implement zoning amendments which expand as-of-right permissions for detached accessory dwelling units (partially complete as of June 2024). Consider adopting other strategies to encourage the development of ADUs, such as standardized designs, public education programs, concierge services, and/or incentives for new units and legalization of illegal units.
Proposed Initiative 3	Affordable Housing Plan Framework & Incentives
Aligned Best Practice(s)	#2 – Make Municipally Owned Lands Available for Housing #8 – Develop Affordable Housing Strategies/Plans
Description/Objectives	<ul style="list-style-type: none"> Update, adopt and implement the draft Affordable Housing Policy and Implementation Plan in support of Council’s goal to improve the delivery of affordable housing in North Cowichan.

Proposed Initiative 4	Website Enhancements: Implement E-Permitting & Develop New Guides, Checklists and Templates for Property Owners/Applicants
Aligned Best Practice(s)	# 3 – Increase Process Efficiency
Description/Objectives	<ul style="list-style-type: none"> • Reallocate staff time to value added/complex work by: <ul style="list-style-type: none"> ○ Reducing the volume of public enquiries by improving the useability of self-serve information (e.g., checklists and “how to” guides), and ○ Reducing the data entry/processing required by implementing e-permitting (online submission, payment, tracking and permit issuance) and providing templates for building and planning application materials.
Proposed Initiative 5	Zoning Bylaw Review (Underway)
Aligned Best Practice(s)	# 1 – End Exclusionary Zoning # 7 – Eliminate Restrictions and Add Flexibility
Description/Objectives	<ul style="list-style-type: none"> • Update the zoning bylaw to align with the OCP, which supports higher-density development in the growth centres and discourages low-density development outside of the urban containment boundary. • Restructure and rewrite the bylaw to reduce commonly requested variances and improve clarity, consistency, and accessibility.
Proposed Initiative 6	Streamline Development Permit Requirements for Missing Middle Housing
Aligned Best Practice(s)	# 7 – Eliminate Restrictions and Add Flexibility
Description/Objectives	<ul style="list-style-type: none"> • Review, update, and simplify the development permit area guidelines as they pertain to missing middle housing. • Establish exemptions for small-scale/missing middle development and redevelopments (i.e., duplexes with suites, the addition of new units within the existing building footprint) to remove a barrier to the development of 3 and 4-unit buildings which are now permitted in serviced areas.
Proposed Initiative 7	Reduce Parking Standards for Multi-Unit Housing
Aligned Best Practice(s)	#6 – Reduce or Eliminate Parking Standards
Description/Objectives	<ul style="list-style-type: none"> • Reduce the minimum parking requirements for multi-unit housing, recognizing that parking variances are routinely requested and granted. • The benefits include: <ul style="list-style-type: none"> ○ Reducing the percentage of applications that must go before Council (development permits are delegated to staff when no variance is required), ○ Allowing more units on a parcel where the required parking is the limiting factor, and, ○ Improving the pro forma for early-stage projects where the cost of providing the required parking may impact project viability.

OPTIONS

1. **(Recommended Option)** THAT Council:

- 1) Approves the North Cowichan Housing Accelerator Action Plan described in the Project Planner's report dated September 4, 2024, including the seven initiatives generally identified as:

1. Remove Barriers to Development in the Bell McKinnon Growth Centre
2. Encourage and Fast-Track Accessory Dwelling Units
3. Affordable Housing Policy Framework & Incentives
4. Website Enhancements: Implement E-Permitting & Develop New Guides, Checklists and Templates for Property Owners/Applicants
5. Zoning Bylaw Review
6. Streamline Development Permit Requirements for Missing Middle Housing
7. Reduce Parking Standards for Multi-Unit Housing

- 2) Authorizes staff to apply to Canada Mortgage and Housing Corporation's Housing Accelerator Fund based on the Action Plan included in the September 4, 2024 report.

- The HAF program requires Council approval of the HAF Action Plan.
- If not approved prior to submission of the application, Council approval can be sought before a contribution agreement is signed.
- Approval of the program does not create an obligation on North Cowichan to implement the HAF Action Plan without HAF funding; rather, it should be understood as an endorsement of the application.

2. THAT Council directs staff to amend the North Cowichan Housing Accelerator Action Plan by *[Council to provide general or specific direction for revisions]*

- Although the application deadline is approaching, staff can revise the Action Plan.
- As noted above, Council must approve the Action Plan before North Cowichan participates in the program, but this can occur after the application is submitted.

IMPLICATIONS

The HAF funding will pay 100% of the initiatives' cost (including staff and consulting time). However, the scale of the program means it will take significant effort to mobilize and administer over the life of the grant. Each of the seven initiatives includes a budget for consulting and/or staff time and dedicated time to process the increased volume of development applications where applicable.

The additional HAF funding can be invested in Council priorities and used to accelerate capital projects within the program parameters.

Note that the program is designed so that if the HAF housing unit targets are not met, the later installments of the funding may be reduced or withheld.

Reporting Requirements

HAF recipients will be required to submit progress reports at specific intervals during the program. The reports must include updates on the progress towards completing the seven initiatives, progress towards achieving the housing targets (e.g. number of new units authorized by issued building permits), details on the types of units permitted, and details on how HAF funding was spent during the reporting period.

RECOMMENDATION

THAT Council:

- 1) Approves the North Cowichan Housing Accelerator Action Plan described in the Project Planner's report dated September 4, 2024, including the seven initiatives generally identified as:
 1. Remove Barriers to Development in the Bell McKinnon Growth Centre
 2. Encourage and Fast-Track Accessory Dwelling Units
 3. Affordable Housing Policy Framework & Incentives
 4. Website Enhancements: Implement E-Permitting & Develop New Guides, Checklists and Templates for Property Owners/Applicants
 5. Zoning Bylaw Review
 6. Streamline Development Permit Requirements for Missing Middle Housing
 7. Reduce Parking Standards for Multi-Unit Housing
- 2) Authorizes staff to apply to Canada Mortgage and Housing Corporation's Housing Accelerator Fund based on the Action Plan included in the September 4, 2024 report.

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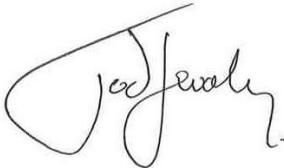
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