

# Memo

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Date September 24, 2024

From Christina Hovey, RPP, MCIP

Subject Rationale for Affordable Housing Reserve Fund Amount

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## **Purpose**

To document the background information that forms the basis of the proposed amount requested for the Affordable Housing Reserve Fund by the proposed Council Policy – Interim Community Amenity Contribution (CAC) Policy. Funds collected would be placed in North Cowichan’s Affordable Housing Reserve Fund.

## **Proposed Amount for Affordable Housing Fund:**

The draft CAC Policy recommends the following per-unit amounts to be negotiated as contributions to the Affordable Housing Reserve Fund for all zoning applications that result in an increase in residential density:

- \$4,000 per additional single detached lot
- \$2,000 per additional ground-oriented unit (i.e., townhome)
- \$1,000 per additional apartment/condo unit.

The draft CAC Policy acknowledges that this should not be charged for projects that directly provide affordable housing.

The proposed amount is lower than was originally recommended by the draft Affordable Housing Policy in 2023. Instead, the amount is relatively modest<sup>1</sup> and aligns with contributions that have recently been negotiated through rezoning files. Depending on additional work done related to this topic and changes in economic conditions, these amounts can be changed in the future.

## **July 2023 Recommendation from Draft Affordable Housing Policy and Implementation Plan**

In July 2023, a draft Affordable Housing Policy was presented to Committee of the Whole. The draft policy included a target for CACs of 10% of new units to be provided at 20% below market rates (equivalent to 2% of total market value for the project). For context, this would be a \$15,000 contribution on a \$750,000 single-detached dwelling.

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<sup>1</sup> An example of a token CAC amount would be \$10-\$15 per square metre of additional density, the proposed \$1,000 per unit would equal \$14.29 per square metre for a 750sq.ft (70m<sup>2</sup>) unit (a one-bedroom).

The recommended CAC amount was based on a benchmarking review comparing amounts from other jurisdictions and consideration of local incomes, housing costs and development trends.

**December 2023 Market Research & Financial Analysis Report (and “Land Lift” Analysis)**

In 2023, the Municipality commissioned a land economist to model the feasibility of different development types in North Cowichan with a view of determining the increased property value or “land lift” associated with rezoning a property to increase density. Land lift is often used as a basis for determining how much CAC a local government can reasonably request at the time of rezoning without negatively impacting project viability. One goal of the report was to review the CAC amount recommended in the draft Affordable Housing Policy as compared with land lift.

The key findings and recommendations of the analysis included that (at the time of analysis):

- CAC rates be no higher than 50% of the total land lift, because the calculations are approximate, and that the current economic climate is challenging.
  - This results in \$75 per m<sup>2</sup> of additional density as an appropriate CAC request for rezonings for ground-oriented built forms on existing properties at least 1 ha in size.
  - There is little, if any, land lift for apartment style buildings.
- The recommended \$75 per m<sup>2</sup> is roughly equivalent to the amount recommended in the draft Affordable Housing Policy, meaning that request is reasonable, but only for ground-oriented developments and where no other CACs are requested for a project. For other types of residential development or where other CACs are requested it is too high relative to the current economic conditions.

**Affordable Housing CACs Provided Through Previous Rezoning:**

Contributions to the Municipality’s Affordable Housing Reserve Fund have been negotiated through past zoning amendments including those identified in the following table:

<b>Location</b>	<b>Year</b>	<b>CAC Amount</b>	<b>File/Bylaw No.</b>
<b>Chemainus Artisan Village (Elm Street)</b>	2024	\$1,000 per unit (proposal is a mix of townhomes and apartments)	ZB000177, Bylaw No. 3968
<b>1771 Robert St (Crofton)</b>	2024	\$4,000 per lot	OCP00026/ ZB000133 Bylaw No. 3914, 3915
<b>Paddle Road (Bell McKinnon West of Highway)</b>	2023	10% (37 of 366 units) to be affordable (50% units at 10% below market and 50% are based on 30% of household income)	ZB000122, Bylaw No. 3901
<b>Kingsview (“The Properties”)</b>	2017	\$1,000 per single-detached lot, \$500 per multi-family unit or small lot	OCP00004, Bylaw No. 3631