



STAFF REPORT TO COMMITTEE

DATE OF REPORT October 17, 2024
MEETING TYPE & DATE Committee of the Whole of November 13, 2024
FROM: Economic Development Division
Strategic Services Department
SUBJECT: MRDT OAP Allocation to Affordable Housing
FILE: 2000-04 MRDT Tourism 2004

PURPOSE/INTRODUCTION

The purpose of this report is to seek approval from the Board to continue the use of Online Accommodation Platform (OAP) Municipal Regional District Tax (MRDT) funds for affordable housing initiatives.

RECOMMENDED RESOLUTION

That it be recommended to the Board on November 13, 2024 that:

1. The CVRD allocate Online Accommodation Platform Municipal Regional District Tax (MRDT) revenues to affordable housing for the remainder of the 5-year MRDT agreement period, up to the repeal date of July 1, 2027, subject to municipal support; and
2. The CVRD send letters to each municipality seeking support for the continued allocation of Online Accommodation Platform Municipal Regional District Tax revenues to affordable housing.

BACKGROUND

Municipal and Regional District Tax (MRDT)

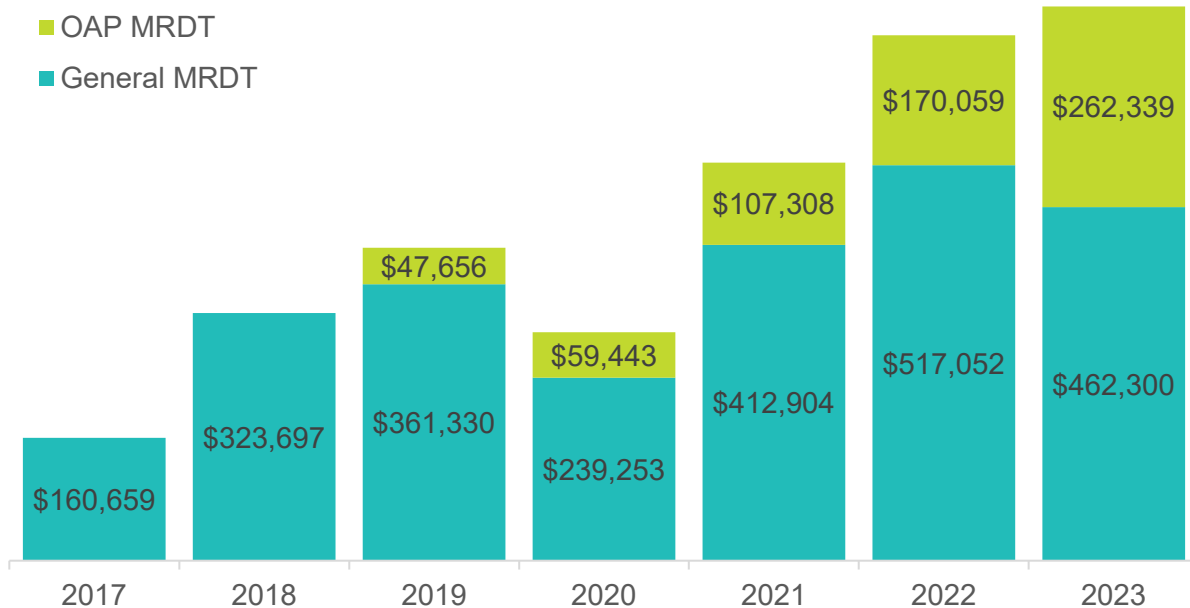
The Municipal and Regional District Tax (MRDT) is a tax of up to 3% applied to sales of short-term accommodation in participating areas of British Columbia on behalf of municipalities, regional districts, and other eligible entities. The MRDT is jointly administered by the Ministry of Finance, Ministry of Tourism, Arts, Culture and Sport, and Destination BC.

The CVRD is currently in year 3 of a 5-year agreement (2022-2027) with the Province of BC to administer the MRDT within the region at a rate of 2%. The CVRD has delegated the administration of the MRDT program to Tourism Cowichan Society (TCS). The CVRD remains the designated recipient and is fully responsible for compliance with all MRDT program requirements. The CVRD works closely with TCS in the preparation and submission of MRDT plans and reports.

MRDT Revenue

There are two types of MRDT revenue: revenues from general accommodation providers (“general MRDT”) such as hotels and motels; and revenues from online accommodation platforms (“OAP MRDT”) such as Airbnb and VRBO.

Except for a drop in revenues during the first year of the COVID-19 pandemic (2020), total MRDT revenues continue to grow year over year. In 2023, this increase was driven by OAP revenues. It will be important to continue tracking this metric as the BC Government rolls out the new [Short-Term Rental Accommodations Act](#). 2024 year to date (January to May), OAP revenues are on par with 2023 at \$117,007 in 2024 and \$115,081 in 2023.



MRDT Uses

The MRDT was introduced by the Provincial Government in 1987 to provide funding for local tourism marketing programs and projects. The tax is intended to help grow BC tourism revenues, visitation, and jobs, and amplify BC's tourism marketing efforts in an increasingly competitive marketplace.

In 2018, the eligible uses of MRDT revenues were expanded to include affordable housing initiatives. This was intended to provide flexibility to communities to address their local housing needs. Designated recipients may use MRDT revenues for the following purposes for spending on affordable housing initiatives:

- Acquiring, constructing, maintaining, or renovating housing or shelters;
- Acquiring or improving land used for, or intended to be used for, housing or shelters;
- Supporting the acquisition, construction, maintenance, renovation, or retention of housing or shelter; or the acquisition or improvement of land intended to be used for housing or shelters;
- Supporting housing, rental, or shelter programs; and/or
- Paying expenses related to the administration or disposal of housing, shelter, or land acquired with money paid out of MRDT revenues.

Designated recipients wishing to use MRDT revenues for affordable housing must submit an Affordable Housing MRDT Plan with their annual MRDT Tactical Plan and Budget.

Prior to 2024, all MRDT funds collected in Cowichan were directed towards tourism marketing through Tourism Cowichan Society (TCS). In 2023, the CVRD Board, with agreement from member municipalities, decided to direct OAP MRDT towards affordable housing in 2024. As per the Board-approved 2024 Affordable Housing MRDT Plan, OAP MRDT collected in 2024 is being directed to Cowichan Housing Association (CHA) via the Cowichan Housing Association Annual Financial Contribution Service.

ANALYSIS

MRDT Reallocation Options

Destination BC staff have advised that CVRD staff must seek ongoing approval for the use of OAP MRDT for affordable housing from the CVRD Board and municipalities, since our 2024 Affordable Housing MRDT Plan only showed approval for 2024. This staff report seeks approval to continue directing OAP revenues to affordable housing until the repeal date of our current 5-year MRDT agreement, which is July 1, 2027.

If the Board approves the continued use of OAP MRDT for affordable housing, then staff will request renewed letters of support from each member municipality. Also, staff have prepared an Affordable Housing MRDT Plan outlining the use of the funds for Board approval, which is included in a separate staff report on the 2025 MRDT Tactical Plan and Budget. The plan would be submitted to Destination BC alongside the 2025 MRDT Tactical Plan and Budget, which is due on November 30, 2024. Destination BC staff have confirmed that an extension on the deadline to submit the Tactical Plan is available to the CVRD, which will allow time to hear back from the municipalities.

If the Board chooses not to continue allocating OAP revenues to affordable housing, then the revenue would revert back to Tourism Cowichan Society for use in tourism marketing. The next opportunity to direct OAP MRDT to affordable housing would be with the submission of the 2026 MRDT Tactical Plan and Budget in November 2025.

Workforce Housing and the Tourism Industry

Housing is intrinsically tied to the economic health and vitality of a community. Although there has been substantial economic growth in British Columbia, communities have struggled to generate, attract, and retain a skilled and stable workforce. In the 2022 Workforce Housing Survey, employer respondents identified housing issues as a major barrier to employee attraction and retention, morale, and wage expectations. Anecdotally, participants noted that there is an influx of tourists into Cowichan during the summer months, at the same time as there should be an influx of tourism and agricultural workers to support businesses, which may further exacerbate housing issues in peak season.

In the CVRD, population growth has outpaced housing development. The 2024 CVRD Interim Housing Needs Report for the Electoral Areas estimates that 5,033 new housing units are needed in Cowichan in the next 5 years, or 1,007 units per year, to meet population growth. Currently, an average of just 516 new units are permitted per year, a shortfall of 491 units per year. The imbalance between population and housing growth has translated into significant increases in the price of housing, lack of housing availability, and instability in the local workforce and economic environment.

The volatility of the local workforce and economic conditions is reflected by ongoing labour shortages, which are impacting businesses throughout the region, with reports of closures, reduced hours, and reduced service. The BC job vacancy rate, indicative of Cowichan, was last reported at 4.2% in Q2 2024, with one of the highest vacancy rates in Accommodations and Food Service (7.0%). The Accommodation and Food sector also had the lowest average offered wage of all sectors at only \$19.05/hour, followed by Retail Trade at \$20.55/hour.¹ Given these wages, tourism workers may find it especially difficult to find affordable housing.

Allocation of some MRDT funds towards affordable housing includes the potential to provide affordable housing in the region for workers in the tourism, accommodation and service sectors, as well as support the recruitment and retention of workers for sustained tourism operations and programs.

FINANCIAL CONSIDERATIONS

In 2024, OAP MRDT is being directed to Cowichan Housing Association (CHA) via the Cowichan Housing Association Annual Financial Contribution Service. This incremental revenue is supplementing the existing tax requisition, and is being used by CHA to advance housing objectives in the region.

COMMUNICATION CONSIDERATIONS

NA

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

This report is connected with objectives 5 and 7 of the CVRD Corporate Strategic Plan, to increase the levels of economic resiliency, security, and prosperity for residents of the Cowichan Region; and to make available a range of housing options and housing tenures at different income levels and stages of life.

Referred to (upon completion):

- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services*)
- Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)
- Land Use Services (*Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement*)
- Strategic Services (*Communications & Engagement, Economic Development, Emergency Management, Environmental Services*)

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¹ Statistics Canada. [Table 14-10-0442-01 Job vacancies, payroll employees, job vacancy rate, and average offered hourly wage by industry sub-sector, quarterly, unadjusted for seasonality](#)



Clayton Postings
General Manager, Strategic Services
Department

Reviewed for form and content and approved for submission to the Committee:

Resolution:

Corporate Officer

Financial Considerations:

Chief Financial Officer