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## REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MARCH 5, 2025

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**SUBJECT** Rural Housing Program Pilot Project Update

### **ISSUE SUMMARY**

This report provides information on the Rural Housing Program (RHP) pilot project, scheduled to launch on the Southern Gulf Islands (SGI) and Salt Spring Island (SSI) Electoral Areas (EAs) in April 2025. The pilot project aims to test the efficacy of advancing affordable housing solutions that are tailored to a rural context in areas outside of the Urban Containment Boundary (UCB) as detailed in CRD Bylaw No. 4017, the “*Capital Regional District Regional Growth Strategy Bylaw No. 1, 2016.*”

### **BACKGROUND**

In February 2018, the Capital Regional District (CRD) published an SGI Housing Needs Assessment, which identified that “all evidence points to serious shortages in secure, appropriate and affordable housing for low to moderate income earners” with renter households particularly impacted. This work was updated in February 2022 through the SGI Updated Housing Market Analysis Report, which found that between 2018 and 2021, “housing inventory and market conditions have made purchasing or renting housing less accessible for residents and workers on the SGI.”

In May 2022, the CRD Board endorsed the SGI Housing Strategy, which advanced seven objectives, and 22 actions tailored to the needs and opportunities within the SGI, but also included a primary objective of investigating the creation of a RHP. In July 2022, the CRD Board endorsed the Future Housing Priorities and Partnerships in the capital region and directed staff to proceed with the development of a program framework based on the priorities identified in the document, which included the development of a rural housing strategy.

In February 2024, the CRD Board received a Future Housing Priorities and Partnerships Framework that included a Rural Housing Pilot Project Analysis (Appendix A), which identified that there have been insufficient incentives to encourage developers and landowners to fill market gaps, that secondary suites have the largest potential to scale up in unit numbers, and that secondary suites would likely be the most cost-effective approach to support new supply. This work also noted that the potential reach of a RHP is substantial but will be highly dependent on the availability of funding as well as general economic conditions.

Appendix B contains an updated financial analysis and feasibility modelling while also considering the provincial government’s Secondary Suite Incentive Program and is an update to the February 2024 Rural Housing Pilot Analysis.

In October 2024, the CRD Board provided provisional approval to the 2025 Financial Plan that included sufficient capacity for the CRD to borrow up to \$1 million (M) over two years to support the RHP pilot project. This borrowing will again be considered by the CRD Board through the 2025 Financial Plan in March 2025.

## **IMPLICATIONS**

### *Engagement Implications*

Through 2024 and into 2025, CRD staff focused on undertaking a range of community engagement initiatives, working to expand potential partnerships, refine the program's scope, and establish the necessary administrative framework to support successful pilot program implementation. The engagement process included a Get Engaged webpage with Frequently Asked Questions (FAQs), information about the RHP, and an online survey aimed at property owners to test demand and seek feedback on the criteria for the Accessory Dwelling Unit (ADU) Incentive Program. A social media campaign drove interest in the page and survey and ensured the island communities were well informed about the goals of the RHP as a pilot project.

Engagement efforts also included roundtable meetings with the non-profit housing sector in each of the EAs and several stakeholder meetings to understand the overall sectoral and specific needs of each housing project. There was also a series of presentations at public meetings of the different Islands Trust Local Trust Committees and Islands Trust Council, as well as two workshops with the Local Community Commission on Salt Spring Island and regular discussions with the Southern Gulf Islands Economic Sustainability Commission. The summary of this engagement effort and the findings is attached as Appendix C.

### *Service Delivery Implications*

The RHP pilot project contains three distinct components, including:

#### RHP Stream 1: Accessory Dwelling Unit (ADU) Incentive Program

- This program provides a capital grant to eligible homeowners with up to 50% of the cost of renovations to build an ADU, up to a maximum of \$40 thousand (K), in exchange for a commitment to non-market rents for a period of five years.
- The public benefit of this program is the creation of new ADUs as non-market units, with initial rents aligned with the Provincial Rental Income Limits, making them feasible given today's building costs.
- This stream is designed to be complementary to the Secondary Suite Incentive Program, which is administered through BC Housing so that an applicant could apply to both funding sources to help offset capital costs.
- Compliance with the program requirements will be secured by a covenant or housing agreement registered on the property title. This incumbrance would run with the land in the case of the property being sold.
- The CRD Pilot Project Accessory Dwelling Unit Incentive Program Application Guide is attached as Appendix D.

#### RHP Stream 2: Pre-Development Funding (PDF) for Multi-Unit Affordable Housing

- Provides funding for pre-development costs for purpose-built, affordable housing projects that may include consultant costs, site preparation, and on-site infrastructure development.
- CRD staff conducted engagement in 2024 with the non-profit housing sector to better understand the unique, and often community/project-specific, needs.
- The application package includes a financial feasibility tool and guide for applying for pre-development funding.

- The financial feasibility tool will demonstrate project viability also serve as an educational resource and “readiness tool” for non-profits and other advocates exploring affordable housing projects.
- CRD staff anticipate greater demand than available funding, so projects that demonstrate feasibility and a high likelihood of success will be prioritized.
- The Canada Mortgage and Housing Corporation (CMHC) provides a Seed Funding Program that provides financial support for individuals and organizations involved in the initial phases of creating an affordable housing project. However, the website has not been updated for 2025 and identifies that the 2024 budget has been fully allocated.
- BC Housing provides Project Development Funds, which are available to help partners develop comprehensive proposals, but applications to this stream are currently closed.

### RHP Stream 3: On-going Coordination and Engagement for Rural Housing Solutions

- A key component of the RHP pilot project is the establishment of a dedicated program coordinator within the CRD to support rural housing for the duration of the two-year pilot project duration.
- Once hired, a program coordinator will help administer pilot project funding and offer a level of support for non-profit housing proponents.
- Success of the RHP will need inter-divisional coordination at CRD, coordination with external agencies such as Islands Trust, community stakeholders, funders such as the Southern Gulf Islands Tourism Partnership, as well as with other levels of government for additional funding or advocacy via the CRD Board.
- It should also be noted that should the pilot project be discontinued at the end of 2026, the CRD will still be required to administer any ADUs that have been funded as well as any PDF funds that have been disbursed.

### *Financial Implications*

The 2025-2029 Land Banking and Housing 5-Year Capital Plan includes \$500K/year for both 2025 and 2026 for the RHP Pilot Program, which is expected to receive final approval in March 2025. The total \$1M capital funding will be borrowed from the Municipal Finance Authority (MFA) with repayment by requisition through service 1.310 Land Banking and Housing.

The requisition impact of the \$1M total borrowing is budgeted at \$96.5K per year for 15 years, which represents approximately 3% of the overall 1.310 service requisition and 50 cents per average household.

Additional funding has been secured through an agreement with the Southern Gulf Islands Tourism Partnership for approximately \$100K of Municipal and Regional District Tax funding per year, for the next five years, and potentially on an ongoing basis (subject to fluctuations in revenues under that program). For 2025-2026, this funding is for a 2-year FTE term position dedicated to the Rural Housing Program to support the pilot’s implementation.

### *Alignment with Board & Corporate Priorities*

By seeking to expand housing options in rural areas, the RHP aligns directly with the *CRD 2023-2026 Board Priorities*. Specifically, it supports the priority to "increase the supply of affordable, inclusive, and adequate housing in the region." This initiative addresses the critical need for affordable homes across the region, particularly in rural areas and small communities, and tailors housing solutions for affordability measures beyond the CRD’s Urban Containment Boundary.

**CONCLUSION**

The RHP Pilot Project in the SGI and SSI EAs aims to prototype housing solutions that are better suited to rural contexts while strengthening the CRD's ability to respond to the housing crisis across the capital region, with a particular focus in areas outside of the UCB. Through its two funding streams – the ADU Incentive Program and PDF for Multi-Unit Affordable Housing – the RHP aims to create affordable housing solutions that support long-term, sustainable housing development throughout the region. In addition, dedicated staffing on a two-year term will help to administer pilot project funding and offer a level of support for non-profit housing proponents looking at accessing support through this pilot project.

Funds totalling \$1M over two years (2025 and 2026) are included in the CRD's 2025 provisional Financial Plan and will be considered by the CRD Board again at the review of the 2025 Financial Plan in March. Assuming that all funds are borrowed and disbursed, this pilot is expected to increase annual requisition by \$96.5K over the 15 years of borrowing.

**RECOMMENDATION**

There is no recommendation. This report is for information only.

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**ATTACHMENTS**

- Appendix A: Future Housing Priorities and Partnerships Framework, CRD Board Staff Report and Appendices, February 14, 2024
- Appendix B: Urban Matters Financial Feasibility Update Report (November 2024)
- Appendix C: CRD Rural Housing Program What We Heard Report 2024
- Appendix D: CRD Pilot Project Accessory Dwelling Unit Incentive Program Application Guide