

# Cowichan Valley Regional District Electoral Area C - Cobble Hill Housing Needs Assessment Data Report



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## BACKGROUND

The Cowichan Valley Regional District (CVRD) is developing a Regional Housing Needs Assessment in partnership with its member municipalities and nine electoral areas. A housing needs assessment will help us understand what kinds of housing are most needed in our region's communities now and in the future, which will help inform the official community plan and development decisions.

Effective April 16, 2019 the Province of British Columbia (BC) requires all local governments to complete housing needs reports for their communities by April 2022 and every five years thereafter. These reports will help local governments and the BC government better understand and respond to housing needs in communities throughout the province. As a basis for determining current and projected housing needs, local governments are required to collect approximately 50 kinds of data about current and projected population, household income, significant economic sectors, and currently available and anticipated housing units. This information has been collected for each of the following areas:

- Electoral Area A – Mill Bay/Malahat
- Electoral Area B – Shawnigan Lake
- Electoral Area C – Cobble Hill
- Electoral Area D – Cowichan Bay
- Electoral Area E – Cowichan Station/Sahtlam/Glenora
- Electoral Area F – Cowichan Lake/Skutz Falls
- Electoral Area G – Saltair
- Electoral Area H – North Oyster/Diamond
- Electoral Area I – Youbou Meade Creek
- Town of Ladysmith
- Municipality of North Cowichan
- City of Duncan
- Town of Lake Cowichan

One report has been prepared for the region, one for each electoral area and one report for each of the four municipalities within the CVRD. Each will include the following sections:

1. Demographic Profile
2. Income and Economy
3. Housing Profile
4. Projections
5. Housing Needs
6. Affordability of New Development

The regional report provides additional information, such as a glossary of terms, project overview and context, a description of the housing spectrum, and a detailed description of the methodology.

This report now turns to a summary of the key findings in the six areas: Demographic Profile, Income and Economy, Housing Profile, Projections, Housing Needs and Affordability of New Development. This is followed by a comprehensive review of the findings in the six areas. The tables and figures to support the research are listed in Appendix I.

## ELECTORAL AREA C – COBBLE HILL

Electoral Area C – Cobble Hill is one of nine electoral areas in the CVRD. It is the second-most populous electoral area with 5,020 residents in 2016 and is among the more affluent jurisdictions in the CVRD with a median household income of \$77,171. Electoral area C consists of a small village core in Cobble Hill near the intersection of Cobble Hill Road and Fisher Road, and several fragmented rural residential and suburban subdivisions extending out east toward the sea. The Valleyview Centre is a key commercial and office development located along the Trans-Canada Highway, and there are notable industrial lands in close proximity to the village core and along the highway corridor.

Electoral area C is almost entirely composed of single-detached homes (90% of units), with a small share of manufactured homes (6% of units). It is one of the oldest jurisdictions in the region; the median age of residents is 51.4. As such, many electoral area C engagement participants highlighted the need for housing that would support aging in place and local options for assisted living. Electoral area C has one of the lowest labour participation rates (49.0%) and unemployment rates (5.7%). It has a much lower share of renter households (11% of households) than the region.

Interviews with 11 local developers and realtors indicate that housing demand in electoral area C is greater than supply at present and that new development will be inhibited by lack of services such as sewer and water. Given the projected population growth and household size, this report's analysis estimates that there is a need for 338 units of new housing in electoral area C in the next five years with a particular need for one-bedroom units.

### KEY FINDINGS

The key findings are now presented in six key areas: Demographic Profile, Income and Economy, Housing Profile, Projections, Housing Needs, and Affordability of New Development. The findings are provided in greater detail within this report in the Findings section.

#### 1. Demographic Profile

- **Population:** Electoral area C has grown and increased in population from 4,525 in 2006 to 5,020 in 2016. This growth was more rapid (11% from 2006 to 2016) than the CVRD (8%) and slower than the province (12%). Electoral area C is the second largest electoral area in the CVRD, behind electoral area B.
- **Age:** Electoral area C is the second oldest jurisdiction in the CVRD. Its average age increased from 47.6 to 51.4 from 2006 to 2016.
- **Household size:** The average household size in electoral area C remained consistent from 2006–2016 at 2.3 people per household. In general, jurisdictions with smaller households tend to be more senior in age composition.
- **Tenure:** Electoral area C has significantly fewer renters (at 11%) than the CVRD (22%).
- **Unhoused population:** It can be hard to locate and count people in more rural areas. The 2017 Summer Point-in-Time Homeless Count and Homeless Needs Survey Community Report did not provide data specific to electoral area C. Many people who are homeless in the CVRD tend to stay close to a community hub where they can access vital services and Cobble Hill has relatively few of these vital services.
- **Transportation:** Electoral area C has an average amount of transit service in comparison to other CVRD areas, with two local transit routes connecting Cobble Hill to other parts of the South Cowichan area as well as to Duncan. Three commuter routes provide service

between electoral area C and Victoria.

- The low frequency of buses, lack of cycling facilities, and disjointed street pattern mean the large majority of residents must travel by car to perform their daily activities—92% of commuters use a private automobile to get to work—which can increase the costs of living in electoral area C.

## 2. Income and Economy

- **Household income:** Electoral area C is the third-most affluent jurisdiction in the CVRD, with a median household income of \$77,171 in 2016. After inflation is removed from the analysis, electoral area C shows a decrease in median household income between 2006–2016. Electoral area C has slightly less income inequality between owners and renters than in the CVRD.
- **Employment:** Electoral area C had one of the lowest unemployment rates in the CVRD in 2016 (5.7%) and one of the lowest participation rates in the CVRD (49% in 2016).
- **Industry:** Within the CVRD, the labour force is somewhat geographically clustered. Electoral area C includes a cluster of healthcare and social assistance workers.

## 3. Housing Profile

- **Dwelling types:** The CVRD has a much lower-density housing composition than BC, with single-detached dwellings making up a larger share and apartments making up a smaller share. This holds true in electoral area C, with single-detached dwellings composing 90% of housing units. Movable dwellings tend to be more predominant in the electoral areas than in the municipalities, including in electoral area C (6% of housing units).
- **Dwelling age:** Electoral area C has a disproportionate number of housing units built in the 1981–2000 range compared to BC and the CVRD.
- **Bedroom number:** Electoral area C has range of sizes similar to the CVRD, with a higher share of two-bedroom units and lower share of one-bedroom units than the CVRD.
- **Non-market housing:** Electoral area C has no non-market units and 18 households receiving rent assistance in the private market from BC Housing.
- **Market rental housing:** There is limited data on the supply of market rental housing, and most of the supply is likely provided through the secondary rental market.
- **Market ownership housing:** Single-detached homes have been the most desirable and expensive form of housing, followed by duplexes and finally manufactured homes. This market saw price stability from 2007 to 2017 as Vancouver Island’s economy gradually recovered from the financial crisis of 2008. From 2017 to 2019, prices increased considerably each year for all unit types. This suggests that since 2017 the electoral area’s supply of available land has been insufficient to meet growing demand for single-detached homes, duplexes and manufactured homes.

## 4. Projections

- **Households projection:** Between 2019 and 2025, electoral area C is expected to grow from 2,228 households to 2,566 households, an increase of 15% in six years, which would be slightly faster than the 14% growth observed between 2006 and 2016.
- **Population projection:** Between 2019 and 2025, electoral area C is expected to grow from 5,147 residents to 5,650 residents, an increase of 10% in six years, which would be slightly slower than the 11% growth observed between 2006 and 2016.
- **Household income projection:** Due to the uncertainty of the COVID-19 pandemic, two income projections were done to 2025. One projection assumes a rapid economic

recovery from COVID-19, while the other assumes a slower economic recovery. In 2025 (and in 2025 dollars), electoral area C is expected to have a median household income of \$102,555 in the rapid recovery scenario or \$97,868 in the slow recovery scenario.

- **Tenure projection:** Based on the income projection, the percentage of renters compared to owners is not anticipated to change significantly in electoral area C.

## 5. Housing Needs

- **Projection of housing need by number of bedrooms:** A large majority of households in 2019 and 2025 need only one bedroom for the composition of their household. Many households possess more bedrooms than they need, according to the strict definition of housing need. It is projected that in 2025 electoral area C will need an additional 338 units of housing, most of which should be one-bedroom units. *See **Error! Reference source not found.***
- **Homelessness:** There are no emergency shelters or long-term options for those experiencing homelessness in electoral area C. As a result of this, many are seeking shelter options outside of their communities.
- **Non-market housing:** The market will struggle to provide new housing that is affordable for lower income households in electoral area C. Households with incomes below approximately \$66,000 will not be able to afford renting market rental new homes.
- **Market rental housing:** Renter households in electoral area C making less than \$48,400 per year tend to spend more than 30% of their annual income on housing expenses, placing these households in core housing need. Renter households making less than \$26,600 per year tend to spend more than 50% of their annual income on housing expenses, placing them in extreme core housing need. This analysis suggests that 31% of electoral area C's renter households are in core housing need and 13% are in extreme core housing need.
- **Market ownership:** Owner households without mortgages were analyzed but found that according to this model none of them would be spending more than 30% of their incomes on housing expenses. The majority of owner households with mortgages in electoral area C making between \$21,400 and \$59,000 per year spend more than 30% of their annual income on housing expenses, placing these households in core housing need. This analysis suggests that 10% of electoral area C's owner households are in core housing need, a slightly improvement from the trend evident in the Census (12% in 2006, 13% in 2011, then 12% in 2016).
- **Historic and current housing condition (adequacy):** Adequacy of housing in electoral area C is slightly better compared to the CVRD and BC, with 4% of households living in housing below adequacy standards. More renters (11%) live in housing below adequacy standards than owners (4%).
- **Historic and current overcrowding (suitability):** In electoral area C, there is less overcrowded housing than in BC and the CVRD, with a significantly higher share of renters (4%) experiencing crowding compared to owners (1%).
- **Historic and current affordability:** Compared to the CVRD, affordability in electoral area C is slightly better for both owners (12%–13%) and renters (25%–36%), to produce an overall share of 13%–14% of households experiencing affordability challenges. Affordability for owners remained approximately consistent between 2006 and 2016. Affordability for renters improved from 2006–2011 and declined from 2011–2016.
- **Core housing need and extreme core housing need:** A significant number (18%) of electoral area C's households are in core housing need. This is somewhat higher than reported in the last several censuses, which showed an upward trend from 13% in 2006 to 14% in 2011 and 2016.

## 6. Affordability of New Development

**Financial analysis results:** The analysis reviewed the incomes required and percentages of households who will be able to afford buying or renting in new developments in electoral area C in 2020 and 2025.

Based on a calculation of the household income that would be required to purchase or rent a new unit in 2025, paying no more than 30% of one's income on housing expenses, the capacity of electoral area C's households to afford new construction was calculated. This capacity will increase slightly in the rapid recovery scenario; however, the overall difference between the two scenarios is not huge, suggesting that the electoral area's housing market is unlikely to be severely impacted by COVID-19.

In electoral area C, the cost of constructing new townhomes will increase faster than the region's incomes, and the cost of constructing new apartments will tend to increase more slowly. This is probably the result of land price increases for patio homes (a particularly desirable type of townhome) being in such short supply and in higher demand than apartments.

## THE FINDINGS

### Introduction to the Work

The following section of the report presents the full findings organized by six key topic areas:

1. Demographic Profile
2. Income and Economy
3. Housing Profile
4. Projections
5. Housing Needs
6. Affordability of New Development

The tables and figures that accompany these results can be found in Appendix I.

### 1. Demographic Profile

The following demographic profile presents historic data for electoral area C as collected from the Statistics Canada Census, Summer Point-in-Time Homeless Count, Homeless Needs Survey Community Report and BC Transit.

#### 1.1 Population

From 2006–2016, BC grew in population from 4.1 million to 4.6 million, an increase of 12%. By comparison, the CVRD grew somewhat slower, from 75,000 to 82,000 for a total of 8% growth during this decade. Within the CVRD, electoral area C grew faster than average—11%, from 4,525 to 5,020 between 2006 and 2016.

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From 2006 to 2016, electoral area C maintained its share (6%) of the region's overall population. Electoral area C is the CVRD's second-most populated electoral area, smaller than just electoral area B.

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#### 1.2 Age

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Electoral area C is the second oldest jurisdiction in the CVRD, with a far higher percentage of population 65 years or older, and fewer children (aged 0–14) and adults aged 25–64. Electoral area C increased in age more rapidly than the province and at approximately the same rate as the CVRD as a region, increasing in average age by almost four years, from 47.6 to 51.4

Note that differences in the pace of aging between jurisdictions mostly reflect migration trends.

Electoral area C has a higher average age than the CVRD, in part due to a far higher percentage of seniors—34% of the population is 65 years or older in electoral area C, far higher than the 23% of the population in the CVRD as a region. Electoral area C also has a higher percentage of seniors than the rest of BC, where 18% of the population is 65 years or older.

Electoral area C has a smaller percentage of children (aged 0–14) at 11% of its population than both the CVRD as a region (15%) and BC (15%). This percentage has decreased over time. Electoral area C has approximately the same share of its population 15–19 years old (5%) and 20–24 years old (4%) as the CVRD.

### 1.3 Household Size

Household sizes in BC and throughout the CVRD decreased from 2006 to 2016. Household sizes in electoral area C (at 2.3 people per household) are similar compared to those in the CVRD as a region. Average household size has remained consistent from 2006 to 2016.

See **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.**: *Distribution of households by number of persons between 2006–2016 and Error! Reference source not found.*

Note that, in general, jurisdictions with smaller households tended to be more senior in age composition. This is intuitive since families with children are typically larger.

### 1.4 Tenure

During the decade under analysis, renters as a share of all households in BC increased slightly, from about 30% to about 32%. A smaller share of households in the CVRD are renters, but the same upward trend is present: renters increased from 20% to 22% of all households. Electoral area C has a smaller share of renters than the CVRD, but it also shows the same upward trend: renters increased from 6% to 11% of households.

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As a share of all households, renter households in subsidized housing in BC made up about 4% in both 2011 and 2016 (2006 data is unavailable for this variable). They make up a lower and decreasing share of households in the CVRD (from 3% in 2011 to 2% in 2016). In electoral area C, renter households in subsidized housing make up 1% of households, increasing from 0% in 2011. In many cases, the total number of households in subsidized housing in smaller jurisdictions, such as individual electoral areas, is ten or fewer. Note that Census data is rounded to the nearest five, so there may be some small rounding errors.

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### 1.5 Unhoused Population

The most recent data that provides information at a finer detail than across the entire CVRD was the Summer Point-in-Time Homeless Count and Homeless Needs Survey Community Report completed in 2017. There was no data provided for electoral area C.<sup>1</sup>

It is hard to locate and count people who are homeless in rural areas, so there may be more people who are homeless in electoral area C, especially people who may be considered “hidden homeless” who are more difficult to locate and count. Examples of hidden homelessness include people staying with family or friends (e.g., couch surfing), staying in trailers or cars, or accessing transitional or temporary housing.

People who are homeless throughout the CVRD tend to stay close to a community hub where they can access vital services, such as a food bank. Electoral area C includes a small village core in Cobble Hill, as well as Valleyview Centre, a commercial and office development located along the Trans-Canada Highway. The village core and Valleyview Centre may not be adequate services for people who are homeless or at risk of homelessness.

Outside of the small village core, electoral area C is large and predominantly rural. Across all electoral areas there are places that homeless people could camp out and few people might know they are there.

## 1.6 Transportation

For a more fulsome understanding of housing affordability in a region, it is important to study its transportation networks. Transportation costs are a key part of the affordability equation because a home's location and its surrounding land use patterns dictate whether a resident needs a personal vehicle. While rent or a mortgage may seem more affordable in rural areas, the need to drive for employment, services, parks, schools and other daily needs places a significant burden on resident pocketbooks. For this reason, the relative affordability in more remote parts of the Cowichan Valley may be masking the actual costs of rural living.

According to the 2016 Census, in electoral area C, approximately 92% of commuters use a private automobile to get to work. Travelling to work by car takes an average of 29 minutes (one way). Those who take the bus travel an average of 1 hour one way. There are a number of transit options for residents of Electoral Area C. There are five transit routes (8, 9, 44, 66, 99) that serve electoral area C. Routes 8 & 9 connect Cobble Hill, Valleyview and Arbutus Ridge to Mill Bay, Shawnigan Lake, Cowichan Bay and Duncan in a loop. Route 44 is a Saturday-only route that provides direct service to Victoria and back three times per day. Routes 66 and 99 are limited weekday commuter routes that provide direct service to Victoria in the mornings and back in the evenings with bus stops in Cobble Hill Village. While trip frequencies are fairly low, a typical stop is serviced by a bus approximately seven or eight times per weekday. Nonetheless, ridership on these routes rival those that are found in the CVRD's incorporated municipalities.

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Electoral area C consists of a small village core in Cobble Hill near the intersection of Cobble Hill Road and Fisher Road, and several fragmented rural residential and suburban subdivisions extending out east toward the sea. The Valleyview Centre is a key commercial and office development located along the Trans-Canada Highway and includes a transit park and ride facility as well as a park and pool for carpoolers. Unlike its South Cowichan neighbours in electoral areas A and B, there are notable industrial lands in close proximity to the village core and along the highway corridor. Nonetheless, the good mix of uses in electoral area C is hampered by a relatively disjointed street pattern that encourages car use.

Overall, the land use mix in electoral area C, and the park and ride/park and pool facilities at Valleyview Centre provide a good foundation for a community looking to reduce transportation costs for its residents. However, the distances from homes to nearest bus stops, low frequency of buses and lack of cycling facilities mean the large majority of residents must travel by car to perform their daily activities. This means transportation costs in electoral area C are high. Enhancing transportation options to key destinations and employment lands would help residents lessen their car dependency and lower their living costs.

## 2. Income and Economy

The following section provides an overview of historic income and economy data for electoral area C from the Statistics Canada Census.

### 2.1 Household Income

Median annual household income in both BC and the CVRD increased from 2006 to 2016, with the region remaining slightly less affluent than the province throughout this period. BC's median income rose from \$62,000 to \$70,000 and the CVRD's rose from \$60,000 to \$65,000. The gap between the region's median income and the province's median income has increased: BC was about \$2,000 per year per household more affluent than the CVRD in 2006 and in 2016 was about \$5,000 per year per household more affluent.

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Within the CVRD, electoral area C is one of the more affluent jurisdictions, behind just electoral areas A and B, with a median household income of \$77,171 in 2016. Electoral area C's median household income has remained steady with a slight decrease from 2006 to 2016.

The value of money tends to decrease over time (inflation), so that it takes more units of currency (nominal income) to achieve the same lifestyle (real income). Shifts in real income may be estimated by removing the impact of inflation, creating a more accurate sense of where income has effectively increased and where it has not.

After inflation is removed from the analysis, median household incomes in BC show little change between 2006 and 2016. The CVRD and electoral area C show a downward trend.

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Compared to all households, households in this jurisdiction that own their own homes are wealthier, but the broad differences in wealth between jurisdictions are approximately the same. Electoral area C is particularly affluent, with a median household income for owner households of \$81,242.

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Compared to all households, renter households in this jurisdiction are less wealthy.

See **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.**: *Share of Renter Households by Annual Income* and **Error! Reference source not found.**

Compared to renters in BC, renters in the CVRD are less affluent and by a larger margin than all households (about \$38,000 for CVRD renters versus about \$46,000 for BC renters; about \$65,000 for CVRD households versus about \$70,000 for BC households).

Median renter incomes in electoral area C were above average compared to elsewhere in the region, but after rising from 2006 (\$70,646) to 2011 (\$73,977, by far the highest across the CVRD), they fell to \$44,045 in 2016.<sup>ii</sup>

The ratio of owner to renter income, which is a rough indicator of the degree of income inequality between these two groups, was calculated. A higher ratio indicates more pronounced inequality. By this measure, the CVRD exhibits slightly more inequality between tenure groups than BC in general. Within the CVRD, electoral area C is close to the ratio across BC, slightly more equal than the CVRD as a whole.

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## 2.2 Employment

Participation in the labour force during this decade was generally higher in BC than in the CVRD and generally declined (from 66% to 64% in BC and from 60% to 57% in the CVRD). Within the CVRD, electoral area C has one of the lowest participation rates, declining from 54.3% in 2006 to 49.0% in 2016.

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The unemployment rate (reflective of those seeking employment but unable to find it) generally increased during this decade but was highest during the recession in 2011. Unemployment in the CVRD (increasing from 6.5% to 7.4%) has generally been slightly higher than in BC overall (increasing from 6.0% to 6.7%), except in 2011 (both 7.8%). Within the CVRD, electoral area C has generally had one of the lowest unemployment rates at 5.7% in 2016.

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## 2.3 Industry

Within the CVRD, the labour force is somewhat geographically clustered. Note that this refers to the residential locations of workers in these sectors rather than where this employment takes place. Electoral area C includes a cluster of healthcare and social assistance workers.

See **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.**: *Share of Labour Force by Industry Sector in 2016.*

### 3. Housing Profile

The following section provides an overview of historic and current electoral area C housing data from the Statistics Canada Census, BC Housing and BC Assessment.

#### 3.1 Dwelling Types

From 2006 to 2016, BC's housing supply grew from about 1.6 million to about 1.9 million, an increase of about 15%. By comparison, the CVRD's housing supply grew slightly more slowly, from 31,000 to 35,000 for a total of 13% growth during this decade. Increasing by 14% between 2006 and 2016, electoral area C had slightly faster housing growth than the CVRD.

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These trends are all similar to trends in population, except that household sizes in BC, the CVRD and electoral area C are decreasing, so housing supply has tended to increase faster than population.

Electoral area C has a lower density housing composition than the CVRD's, which has a much lower-density housing composition than BC:

- Single-detached homes make up the vast majority of the housing supply, with a slight increase in their share during this decade (84% in 2006, 92% in 2011, 90% in 2016)
- Movable dwellings make up most of the remainder of housing units (7% in 2006, 2% in 2011, and 6% in 2016), and a larger share compared to BC's 3%
- Apartments in duplexes and semi-detached units are a smaller component of the housing supply (2% each in 2016) compared to BC's 10%–12%
- All other housing types (row houses and apartments) have negligible amounts in electoral area C

Movable dwellings tend to be more predominant in the electoral areas than in the municipalities, which holds true in electoral area C.

See **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.**: *Share of total housing units by type 2006–2016* and **Error! Reference source not found.**

#### 3.2 Dwelling Age

In 2016, BC and the CVRD had similar distributions of dwellings by age with dwellings in the CVRD being only slightly older:

- Built before 1960: 14% in BC and 17% in the CVRD
- Built 1961–1980: 30% in BC and 28% in the CVRD
- Built 1981–1990: 15% in BC and 14% in the CVRD
- Built 1991–2000: 18% in BC and 20% in the CVRD
- Built 2001–2005: 7% in BC and 6% in the CVRD
- Built 2006–2010: 9% in BC and in the CVRD
- Built 2011–2016: 7% in BC and 5% in the CVRD.

Electoral area C has a disproportionate number of housing units built in the 1981–2000 range compared to BC and the CVRD.

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### 3.3 Bedroom Number

Compared to BC, the CVRD has a much higher share of three-bedroom apartments (38%) and a much lower share of one-bedroom apartments (9%) but similar shares of two-bedroom and 4+ bedroom apartments. Studio apartments make up a negligible share. It might be said that the CVRD has a narrower range of home sizes available than BC in general.

Electoral area C has a similar range of sizes as the CVRD in general, but consistently has a higher share of two-bedroom units (34%) and smaller share of one-bedroom units (5%).

See **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.**: *Share of housing units by bedroom count 2006–2016* and **Error! Reference source not found.**

### 3.4 Non-Market Housing

BC Housing breaks down the types of housing support it provides into four high-level categories: emergency shelter and housing for the homeless, transitional supported and assisted living, independent social housing and rent assistance in the private market. These four categories form a rough housing continuum such that, from left to right, the categories become less intensive and have more units. Within these four categories there are also ten low-level categories (indicated in the table above) having to do with the justification for funding rather than the degree of funding (for example, families versus seniors). Seniors make up the largest funding group in the three largest high-level categories and therefore receive the majority of BC Housing support in the CVRD.

Electoral area C has no units subsidized by BC Housing and 18 households that are provided rent assistance in the private market. There are no other non-market units within electoral area C.

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### 3.5 Market Rental Housing

CMHC has a minimum population threshold to complete its rental market survey. As electoral area C is under this threshold, there is no information on the inventory of the purpose-built rental market.

In primarily rural areas, such as electoral area C, most rental stock is provided through the secondary rental market (e.g., owners renting condominium apartments, houses, etc.). There is limited information on the secondary rental market in Canada, including electoral area C, so the true size of the rental market is hard to determine. In addition, units in the secondary rental market can easily “flip” tenures—rented units become owner-occupied, or owners decide to rent out their units.

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Engagement respondents from electoral area C describe a lack of rental housing options and shared stories of challenges securing rentals and of high rental costs.

### 3.6 Market Ownership Housing

The property assessment rolls were analyzed for electoral area C. Property assessment data relates directly to housing affordability for owner-occupant households but does not directly reflect housing affordability for renter households. This is because property values are the main cost factor for owner-occupants whereas rent is the main cost factor for renters. As such, the properties reported below specifically exclude purpose-built rental buildings and focus instead on single-detached homes, manufactured homes, duplexes and stratified multi-family. Note that these properties could still be occupied by renters through the secondary market.

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From 2007 to 2019, the average values of different residential property types in electoral area C have fluctuated in sync, reflecting market forces that impact the property market as a whole, most notably:

- The local employment economy
- Demand spillover from other regions such as the Capital Regional District (CRD) and Metro Vancouver
- Land supply constraints such as zoning and servicing catchments
- Investor and developer attitudes.

Throughout this time period, single-detached homes have been the most desirable and expensive form of housing (\$400,000–\$650,000), followed by duplexes (\$250,000–\$400,000) and finally manufactured homes (\$150,000–\$250,000). Electoral area C had no townhomes or apartments during this time period.

This market saw price stability from 2007–2017 as Vancouver Island’s economy gradually recovered from the financial crisis of 2008. This ten-year period of price stability represents a period of increasing affordability for CVRD residents and prospective residents and suggests that in electoral area C the supply of available land was adequate to meet residential demand. From 2017 to 2019, prices increased considerably each year for all unit types. This is beneficial to the homeowner households but detrimental to aspiring homeowners and suggests that since 2017 the electoral area’s supply of available land has been insufficient to meet growing demand for single-detached homes, duplexes and manufactured homes.

Interviews were held with 11 local developers and realtors to gain an understanding of the CVRD’s residential market. Local experts agree that the CVRD is a highly desirable residential environment with significant unmet demand. Demand has grown considerably in recent years due to the following two factors:

- Although the CVRD used to be outside of Greater Victoria’s commuter catchment, high residential prices in the CRD have driven a growing number of households to seek housing further afield. According to one interview subject, traffic counts on Highway 1 in South Cowichan totalled about 10,000 per day in each direction ten years ago, but that number has increased to about 25,000, an increase of 150%, indicating significant growth in the commuting population
- More recently, demand for housing in the CVRD and throughout Vancouver Island has increased due to COVID-19 for several reasons:
  - Since more people are working from home, living close to key employment centres,

such as Victoria and the Lower Mainland, is less of a priority, liberating many households to seek more affordable, spacious and desirable housing in peripheral areas.

- Vancouver Island is perceived as a safer environment during the pandemic than more permeable mainland communities.
- Some “snowbirds” who would normally make a habit of spending their summers in Canada and winters in warmer parts of North America (most notably Florida, Arizona and Mexico) are expecting to have more difficulty entering other countries in the near future and have opted instead to move to Vancouver Island, Canada’s most temperate region.

## 4. Projections

While all of the information provided to date represents the current housing situation in the CVRD, the following sections focus on projections for what will happen over the next five years. This section includes four projections: Household, Population, Household Income and Tenure based on Statistics Canada Census Data, Rennie Intelligence's Long-range Projections of Population, Housing, and Employment in the Cowichan Valley Regional District and Environics Analytics Demostats Income and Housing Projections.

### 4.1 Households Projection

Between 2019 and 2025, electoral area C is expected to grow from 2,228 households to 2,566 households, an increase of 15% in six years, which would be slightly faster than the 14% growth observed between 2006 and 2016. In comparison, the CVRD is expected to grow from 34,744 households to 39,967 households, an increase of 15% in six years.

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### 4.2 Population Projection

Between 2019 and 2025, electoral area C is expected to grow from 5,147 residents to 5,650 residents, an increase of 10% in six years, which would be slightly slower than the 11% growth observed between 2006 and 2016. By comparison, the CVRD is expected to grow from 80,404 residents to 93,071 residents, an increase of 16% in six years.

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### 4.3 Household Income Projection

Two scenarios were considered when projecting income to 2025, producing two income projections that are used in this report:

- Rapid recovery scenario: This projection assumes a rapid economic recovery from COVID-19, putting household incomes in 2025 close to where they might have been if the pandemic had not occurred.
- Slow recovery scenario: This projection assumes a slower economic recovery from the COVID-19 pandemic, reducing household incomes significantly compared to the first scenario.

The reality is likely to be somewhere between these two scenarios.

The amount of residential growth that is assumed to occur is identical between scenarios because COVID-19 does not appear to have a negative impact on housing demand in the CVRD. However, the distribution of these households by income varies by scenario: households in the rapid recovery scenario are generally more affluent.

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#### 4.4 Tenure Projection

Tenure is correlated with income: wealthier households tend to be homeowners and less affluent households tend to rent.

To create a projection of housing tenure, split between owner households and renter households by real<sup>iii</sup> income group in 2019 and 2025 is assumed to resemble the split indicated in the 2016 Census in electoral area C. Based on this assumption, Table 43 summarizes the share of households renting in 2019 and 2025 by economic recovery scenario.

Compared to 2019, real income increases in both scenarios by 2025, but increases more rapidly in the rapid recovery scenario. Even so, the split of electoral area C's households by tenure is not expected to change appreciably in either scenario between 2019 and 2025, with 10% of households renting and 90% of households owning in the rapid recovery scenario, and 11% of households renting and 89% of households owning in the slow recovery scenario.

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## 5. Housing Needs

The following section now comments on housing needs based on assessed values of ownership housing from BC Assessment, rental values from Canadian Rental Housing Index and Canadian Mortgage and Housing Corporation.

### 5.1 Projection of Housing Need by Number of Bedrooms

For the purpose of this exercise, housing need by bedroom count is defined as one bedroom per cohabitating couple plus one bedroom per individual (including children) not in a cohabitating couple. Average people per household is based on Environics data and in the 2025 projection is adjusted to be compatible with the population per household defined by Rennie Intelligence. Assumptions about how many households contain couples is based on the 2016 Census data.

A large majority of households in both years need only one bedroom (1,621 households in 2019 and 1,894 households in 2025). The reason for this is that one bedroom of need corresponds with households that include one person and with households that include one couple, which according to the 2016 Census, comprise about 98% of two-person households.

According to this definition of need, electoral area C contains a significant over-supply of two-bedroom homes and homes containing three or more bedrooms since only 5% of the electoral area's homes had 1 bedroom, 34% had two bedrooms and 61% had three or more bedrooms. This only implies that many households possessed more bedrooms than they needed according to this strict definition. This does not prevent or indicate a contradiction with 1% of households experiencing overcrowding: it is simply the case that despite the absolute surfeit of bedrooms, some households still had less than they needed.

In 2025, it is projected that electoral area C will need an additional 338 units of housing, most of which should be one-bedroom units.

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### 5.2 Homelessness

As with much of the rest of the region, there is a marked lack of emergency shelters and long-term options for those experiencing homelessness in electoral area C. In particular, there is a lack of safe housing options for youth, First Nations, women and those with mental health challenges. As a result, many are seeking shelter options outside of their communities. Those seeking emergency shelter as well as supportive services frequently travel to Duncan or North Cowichan (particularly the South End), where most programs, shelters and services exist. These areas are overwhelmed by the demand incurred by out of area residents seeking shelter, with many community organizations indicating a desperate need for additional supports.

### 5.3 Non-Market Housing

As per the calculation on affordability of new development, the market will struggle to provide new housing that is affordable for lower income households. In the case of electoral area C, households with incomes below approximately \$66,000 will not be able to afford renting new homes. Some households with income below this amount will still be able to find housing in the rental market, as older rental homes can be more affordable.

The affordability of existing supply and continuing tenancies will depend principally on policies such as rent control legislation, vacant home taxes, and general housing supply growth. The affordability of non-market housing will depend on the magnitude of housing subsidies present.

Through engagement, electoral area C respondents speak to the need for affordable housing specifically for single parents and seniors.

#### 5.4 Market Rental Housing

Rental rate data was integrated from the following sources to produce a model of rental housing costs throughout the CVRD:

- The Canadian Rental Housing Index (2016)
- The Canadian Mortgage and Housing Corporation Housing Data Portal
- Interviews with local property managers.

These results include subsidized rental properties as well as the cost of utilities and are in line with the findings of the Engagement Survey and with current rental listings on Craigslist and similar websites.

See ***Error! Reference source not found.*** and ***Error! Reference source not found.***. These indicate the rental rates at which 10% of units are more affordable, 20% of units are more affordable, 30% of units are more affordable, etc.

The CVRD's electoral areas and the Town of Lake Cowichan, unlike the City of Duncan, the Municipality of North Cowichan and the Town of Ladysmith, all have no-to-limited quantitative data on the rental market. Therefore, available data was insufficient to detect meaningful differences between rental housing cost trends in the CVRD's electoral areas and Lake Cowichan.

However, all data sources suggest that the CVRD is in a state of acute rental shortage, with almost no vacancy. Households seeking rent in the region are locating where housing is available rather than where they would prefer, which tends to equalize rental rates throughout the region.

Note also that the data presented reflects rental rates that are currently paid by households rather than the rates those same units might be able to achieve if they were vacated and placed on the market today. BC's *Residential Tenancy Act* only permits rental rates for a particular tenant to be increased by a limited amount each year. The impact of this policy is that renter households who remain in the same dwelling for many years tend to pay less rent than more recently arrived renter households. Landlords and property owners operating currently listed rental units will therefore tend to ask higher rents than those represented here, as these rates are varyingly subject to rent control.

Housing affordability for renter households was analyzed by assuming that the wealthiest 1% of households will occupy the most expensive 1% of homes, the wealthiest 10% of households will occupy the most expensive 10% of homes, etc. Assigning homes to income groups in this way reveals which income groups might struggle to pay for housing in which jurisdictions.

As noted above, this is only an approximation. In reality, some households will occupy more expensive or less expensive homes than this assumption would assign to them. However, because homes are limited, if a household occupies a more affordable unit than this model would assign and therefore has lower housing costs, that means that another household has to occupy

a more expensive unit than this model would assign, and therefore has higher housing costs. As such, the deviations from this model that would exist in real life should cancel each other to produce something close to the averages indicated here.

Renter households in electoral area C making less than \$48,400 per year tend to spend more than 30% of their annual income on housing expenses, placing these households in core housing need. The same data suggest renter households making less than \$26,600 per year tend to spend more than 50% of their annual income on housing expenses, placing them in extreme core housing need.

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This analysis suggests that 31% of electoral area C's renter households are in core housing need and 13% are in extreme core housing need. This is in line with the rates reported in the previous few censuses (30% in 2006, 25% in 2011, and 36% in 2016).

Engagement respondents from electoral area C describe a need for more rental housing options, particularly close to services and transportation networks.

## 5.5 Market Ownership

Combining the Property Assessment data with the income estimate allowed the relationship between income and housing expenses for owner households in electoral area C to be estimated. This requires certain assumptions:

- The share of owner households with a mortgage in 2019 resembles the share indicated in the 2016 Census (46%).
- Renter households and owner households of the same income are likely to live in units with similar property value. That is, more affluent households of either tenure will live in higher-value units.
- Similarly, owner households with and without mortgages are assumed to occupy units of similar value.
- For the purposes of this analysis, housing expenses include:
  - mortgage payments, if applicable, using a 20% down payment, 3.5% interest rate, 25-year amortization and the property prices of ten years earlier (2009)
  - \$1,212 per year in hydro per household, the BC average
  - municipal service fees of \$465
  - strata and/or maintenance expenses of \$1,200 per year
  - property taxes, factoring the BC Homeowner's Grant.

As with renter households, housing affordability was analyzed for owner households by assuming that the wealthiest 1% of households will occupy the most expensive 1% of homes, the wealthiest 10% of households will occupy the most expensive 10% of homes, etc. Assigning homes to income groups in this way reveals which income groups might struggle to pay for housing.

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The majority of owner households with mortgages in electoral area C making between \$21,400 and \$59,000 per year spend more than 30% of their annual income on housing expenses, placing

these households in core housing need. Electoral area C is unusual because housing at the low end appears to be plentiful, probably due to the presence of extremely affordable properties in the form of manufactured homes.

Owner households without mortgages were analyzed but found that according to this model none of them would be spending more than 30% of their incomes on housing expenses.

This analysis suggests that 10% of electoral area C's owner households are in core housing need, in a slight improvement from the trend evident in the Census (12% in 2006, 13% in 2011, then 12% in 2016).

## 5.6 Historic and Current Housing Condition (Adequacy)

The share of all households requiring major repair (the adequacy standard) remained constant in BC between 2006 and 2016:

- For owners: from 6% to 5%
- For renters: from 8% to 7%
- Average of all households: 6%

Adequacy of housing in electoral area C is slightly better compared to the CVRD and BC, with 4% of households living in housing below adequacy standards.

Compared to the CVRD, adequacy in electoral area C is slightly better for owners (4% in 2016) and worse for renters (11% in 2016), with the share of households requiring major repair decreasing for owners (from 5% in 2006 and 2011 to 4% in 2016) and increasing for renters (from 0% in 2006 and 2011 to 11% in 2016).

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## 5.7 Historic and Current Overcrowding (Suitability)

The share of all households experiencing overcrowding (the suitability standard) in BC decreased between 2006 and 2016:

- For owners: from 4% to 3%
- For renters: from 12% to 9%
- Average of all households: from 7% to 5%

Compared to BC, households in the CVRD are less crowded for both tenure groups, and improvement was also observed:

- For owners: from 2% to 1%
- For renters: from 8% to 6%
- Average of all households: from 3% to 2%

In electoral area C, crowding is less of an issue for both owners and renters compared to the CVRD as a whole. Over four times the rate of renters experience crowding (4% of households) than owners (1% of households).

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## 5.8 Historic and Current Affordability

The share of all households falling below the affordability standard (housing expenses equal to 30% of household income) remained fairly constant in BC between 2006 and 2016:

- For owners: from 18% to 17%
- For renters: from 34% to 35%
- Average of all households: from 23% to 22%.

Compared to BC, affordability in the CVRD is somewhat better for owners (15% in 2006 and 14% in 2016) and somewhat worse for renters (38% in 2006 and 2016 and 42% in 2011 during the recession), to produce a slightly more favourable overall share of 19% of households across tenures experiencing affordability challenges in 2016.

In electoral area C, affordability is worse for owners (19% in 2006 and 16% in 2016) but slightly better for renters (35% in 2006 and 30% in 2016) compared to the CVRD.

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### 5.9 Core Housing Need and Extreme Core Housing Need

In 2019, 18% of electoral area C's households are in core housing need<sup>iv</sup> and 5% are in extreme core housing need<sup>v</sup>. Of these:

- 10% of owners are in core housing need and 5% are in extreme housing need
- 31% of renters are in core housing need and 13% are in extreme housing need

This is in line with trends reported in the last several censuses, which showed 13% of households in core housing need in 2006, 14% in 2011 and 14% in 2016.

## 6. Affordability of New Development

A financial model analyzing the cost of residential development for a variety of housing types and tenures was created considering the Altus Construction Cost Guide, development costs by jurisdiction (permit fees, development cost charges, etc.), parking requirements by jurisdiction as defined by zoning bylaw and market research drawn from current listings on realtor.ca.

Using this model, the lowest sale price or rental rate per unit that a builder could afford to charge for the finished product while still achieving a minimal level of profit (this is called the “economic price”) was identified. These minimum prices and rental rates imply what levels of household income would be required to purchase or rent new units in electoral area C without paying more than 30% of one’s household income. This analysis is performed for 2020 and 2025.

### 6.1 Financial Analysis Results

Based on the construction cost assumptions detailed in our methodology<sup>vi</sup>, the following housing prices represent the most affordable units that a developer or building could afford to produce in electoral area C. More affordable new units may exist, but these would arise from exceptional circumstances such as unusually cheap land.

The price of a new single-detached home is about \$651,000, the price of a new townhouse is about \$449,000 and the price of a new apartment about \$320,000. The monthly rent for new townhomes is about \$1,670 and for new apartments about \$1,180.

To produce an estimate of the minimum income that would allow a household to purchase or rent one of these new units without spending more than 30% of its household income, the following assumptions are used:

- Purchasers will have a mortgage with the following characteristics:
  - 20% down payment
  - 3.5% stated annual interest rate
  - 25-year amortization
- Owners and renters will both pay additional housing expenses as detailed elsewhere in this report, including utilities and property taxes.

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The household income that would be required to purchase or rent a new unit, paying no more than 30% of one’s income on housing expenses, and the percentage of electoral area C’s current households (2019) that could afford that housing option was calculated:

- To purchase a new single-family home would require \$118,000 of annual household income, and about 34% of households could afford to do so
- To purchase a new townhouse would require \$85,000 of annual household income, and about 53% of households could afford to do so
- To purchase a new apartment would require \$63,000 of annual household income, and about 67% of households could afford to do so
- To rent a new townhouse would require \$76,000 of annual household income, and about 58% of households could afford to do so
- To rent a new apartment would require \$57,000 of annual household income, and about 72% of households could afford to do so.

For each of these categories, note that this is the least affluent demographic that could be served by the new-build market. If supply constraints exist and less housing is built, then that new housing will tend to go to the highest bidder, increasing the price and income required to avoid core housing need.

The price of new homes in electoral area C in 2025 was also projected based on the escalation assumptions presented above.

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Compared to 2020, the price of construction in 2025 is expected to increase so that:

- The price of a single-family home will be about \$746,000
- The price of a townhouse will be about \$525,000
- The price of an apartment will be about \$363,000
- The monthly rent for townhomes will be about \$2,035
- The monthly rent for apartments will be about \$1,400.

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The household income that would be required to purchase or rent a new unit in 2025, paying no more than 30% of one's income on housing expenses, and the percentage of electoral area C's projected households (2025) that could afford that housing option was calculated:

- To purchase a new single-family home will require \$134,000 of annual household income. About 35% of households will be able to afford to do so under the Rapid Recovery Scenario versus 32% in the Slow Recovery Scenario
- To purchase a new townhouse home will require \$97,000 of annual household income. About 53% of households will be able to afford to do so under the Rapid Recovery Scenario versus 50% in the Slow Recovery Scenario
- To purchase a new apartment home will require \$70,000 of annual household income. About 72% of households will be able to afford to do so under the Rapid Recovery Scenario versus 69% in the Slow Recovery Scenario
- To rent a new townhouse in the region will require \$91,000 of annual household income. About 58% of households will be able to afford to do so in the Rapid Recovery Scenario versus 55% in the Slow Recovery Scenario.
- To rent a new apartment in the region will require \$66,000 of annual household income. About 75% of households will be able to afford to do so in the Rapid Recovery Scenario versus 72% in the Slow Recovery Scenario.

The capacity of electoral area C's households to afford new construction would tend to increase slightly in the rapid recovery scenario and would tend to decrease slightly in the slow recovery scenario. The overall difference between the two scenarios is not huge, suggesting that the electoral area's housing market is unlikely to be severely impacted by COVID-19. In electoral area C, the cost of constructing new townhomes will increase faster than the region's incomes, and the cost of constructing new apartments will tend to increase more slowly. This is probably the result of land price increases for patio homes (a particularly desirable type of townhome) being in such short supply and in higher demand than apartments.

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<sup>i</sup> At the time of writing this report, data from the point-in-time homeless count completed in March 2020 was not available for individual jurisdictions.

<sup>ii</sup> Note that there are relatively few renters in electoral area C, so these large fluctuations may be a function of limited input or errors in Statistics Canada data.

<sup>iii</sup> “Real” here means that currency inflation is removed so that household incomes can be compared directly between time periods because they have been brought to parity in terms of true spending power.

<sup>iv</sup> A household is said to be in core housing need if its housing falls below at least one of the adequacy, affordability or suitability standards and the household would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that meets all three housing standards.

<sup>v</sup> A household is said to be in core housing need if its housing falls below at least one of the adequacy, affordability or suitability standards and the household would have to spend 50% or more of its total before-tax income to pay the median rent of alternative local housing that meets all three housing standards.

<sup>vi</sup> See the regional CVRD housing needs report methodology section for detailed assumptions behind cost of new development.