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November 14, 2023

File No.: 2000-04 Municipal Regional District Tax

via email: trlm@lakecowichan.ca

Their Worship Mayor Tim McGonigle
Town of Lake Cowichan
Box 860 – 39 South Shore Road
LAKE COWICHAN BC V0R 2G0

Dear Mayor Tim McGonigle:

Re: Formal Request for Letter of Support

This letter is a formal request for the Town of Lake Cowichan to provide a letter of support for the reallocation of Online Accommodation Platform (OAP) Municipal Regional District Tax (MRDT) revenue to affordable housing within the Cowichan Valley Regional District (CVRD) effective January 1, 2024. A sample letter and resolution are attached for consideration.

The CVRD is currently in year 2 of a 5-year agreement with the Province of BC to administer the MRDT within the region at a rate of 2%. In light of the housing crisis, there is an immediate opportunity to reallocate OAP revenues to affordable housing with the submission of the 2024 MRDT Tactical Plan and Budget, which will be presented to the CVRD Board on December 13, 2023.

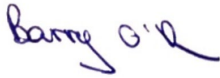
Please find attached an Economic Development Cowichan (EDC) staff report dated November 8, 2023 regarding MRDT Options for Affordable Housing and detailing the background, analysis, stakeholder engagement, MRDT reallocation options, and financial considerations.

On November 8, 2023 the CVRD Board approved the following resolution:

- 1. The CVRD send letters to each municipality seeking support for the reallocation of Online Accommodation Platform MRDT revenues to affordable housing; and*
- 2. Staff work with Tourism Cowichan Society to prepare a 2024 MRDT Tactical Plan and Budget that allocates Online Accommodation Platform MRDT revenues to affordable housing, subject to municipal support.*

To ensure an application of OAP MRDT revenues towards affordable housing initiatives starting in 2024 is submitted on time, a response to the undersigned is requested by December 1, 2023.

Yours truly,



Barry O'Riordan
Manager, Economic Development Cowichan

Attachments (3)

BO/jm

cc: Danielle Myles Wilson, CAO

Joseph A. Fernandez, CAO





STAFF REPORT TO COMMITTEE

DATE OF REPORT October 25, 2023
MEETING TYPE & DATE Committee of the Whole of November 8, 2023
FROM: Economic Development Division
Strategic Services Department
SUBJECT: MRDT Options for Affordable Housing
FILE: 6750-20 REG 2022-2023 Workforce Housing

PURPOSE/INTRODUCTION

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

RECOMMENDED RESOLUTION

That it be recommended to the Board on November 8, 2023 that:

1. The CVRD send letters to each municipality seeking support for the reallocation of Online Accommodation Platform MRDT revenues to affordable housing; and
2. Staff work with Tourism Cowichan Society to prepare a 2024 MRDT Tactical Plan and Budget that allocates Online Accommodation Platform MRDT revenues to affordable housing, subject to municipal support.

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 2 of a 5-year agreement 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 for Affordable Housing

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.

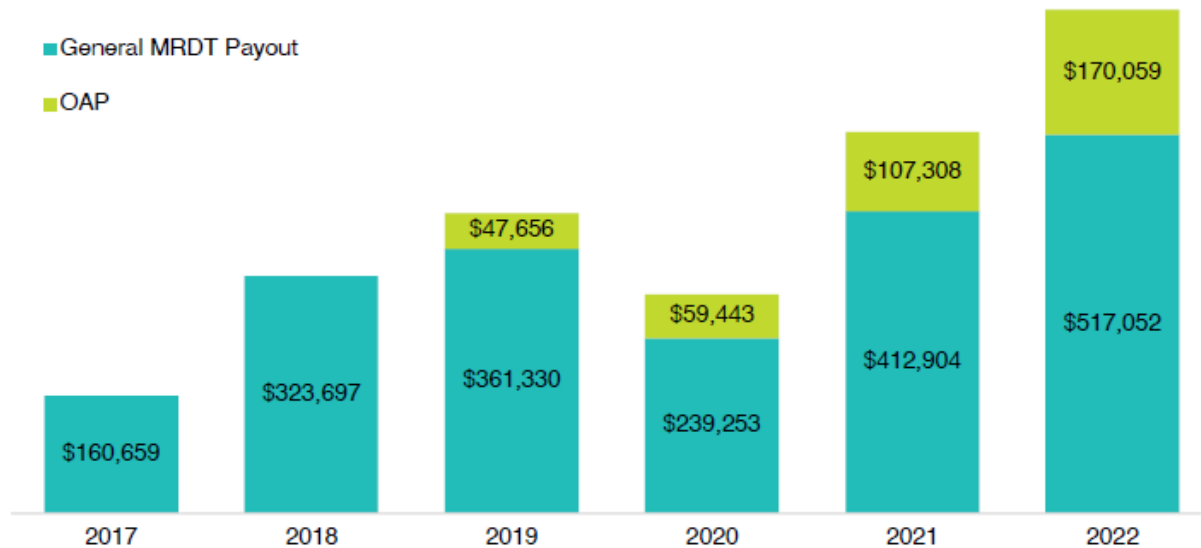
The potential to use OAP MRDT revenues for affordable housing initiatives was first presented to the CVRD Committee of the Whole at the September 22, 2021 meeting, during discussions around the preparation of the MRDT 5-Year Strategic Business Plan renewal application. At a subsequent CVRD Board meeting on October 13, 2021, staff were directed to report back to committee with more information on the potential for OAP MRDT revenues to be used for affordable housing.

Staff reported back to the Committee of the Whole on October 27, 2021 with clarifications around the allowable uses of OAP MRDT funds for affordable housing, but recommended that any decision to reallocate funds be delayed until after the MRDT Five-Year Strategic Business Plan renewal was complete, and more fulsome stakeholder engagement had taken place.

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. All MRDT funds collected in Cowichan are currently directed towards tourism marketing through Tourism Cowichan Society (TCS).

Except for a drop in revenues during the first year of the COVID-19 pandemic (2020), MRDT revenues continue to grow year over year. General MRDT revenues have increased by approximately \$155,700 from 2019 to 2022, while OAP MRDT revenues have increased by approximately \$122,400. The proportion of OAP revenues has increased steadily since collection began. OAP increases are likely due to the rising popularity of this form of accommodation, as well as the shortage of traditional accommodations (hotels and motels) in Cowichan.



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 2021 Cowichan Regional Housing Needs Assessment report estimates that 4,955 new housing units are needed in Cowichan by 2025, or 991 units per year, to meet population growth. Currently, an average of just 500 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, has increased from 4.6% in 2019 to 5.2% in 2023 (both Q2), with the highest vacancy rate in Accommodations and Food Service (8.6%). The Accommodation and Food sector also has the lowest average offered wage of all sectors at only \$17.90/hour, followed by Retail Trade at \$19.10/hour. Given these wages, tourism workers may find it especially difficult to find affordable housing.

ANALYSIS

Tourism Cowichan Society

The CVRD is currently finalizing a renewed agreement with Tourism Cowichan Society (TCS) for the provision of tourism marketing and destination development services for 2023-2025. This agreement was approved by the CVRD Board on September 27, 2023. In turn, the TCS Board subcontracts these services to 4VI.

Engagement with TCS was undertaken to understand the potential impacts to a change in MRDT funding allocation. Representatives from TCS supported the initiative to address workforce housing issues in the region, however, they were generally opposed to reducing their share of MRDT funding. TCS representatives indicated the potential impacts from this change could lead to the following repercussions:

- TCS expenses are increasing in tandem with increasing costs to do business (e.g., inflation), and less funding will impact operations;
- Reduced funding for tourism programs, tourism marketing, and the tourism economy in general;
- May lose momentum in the tourism sector growth that has been gained in recent years; and
- Inability to fund Visitor Centres (approximately \$50,000 per year).

Furthermore, 4VI has previously indicated that tourism marketing in Cowichan is relatively underfunded compared with other regions, but previous attempts to increase the MRDT rate to 3% received insufficient support from the accommodation sector.

On the other hand, TCS has experienced significant annual surpluses in recent years: \$307,000 in 2021 (carried over) and \$471,000 in 2022. Combined, TCS had a total surplus of \$778,000 as of December 31, 2022. Understandably, there were some constraints to spending during the pandemic due to travel restrictions, which explains some of this surplus.

The surplus is in addition to growing revenues from general and OAP MRDT, which are currently directed solely to TCS for tourism marketing. This provides an opportunity to consider a reallocation of some of the MRDT funds towards affordable housing initiatives. Reallocation of 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.

Stakeholder Engagement

During spring and summer 2022, staff conducted a series of Workforce Housing Surveys, which included questions around MRDT use and short-term rentals. 98 employers and 154 employees completed the surveys. Both employers (71%) and employees (80%) indicated a clear preference for re-directing OAP MRDT revenue towards affordable housing initiatives, as opposed to tourism marketing.

In November 2022, the Cowichan Valley Regional District (CVRD) embarked on the development of a Workforce Housing Strategy to identify actions for increasing housing availability and affordability for the labour force. Extensive engagement has taken place around this project, with multiple discussions around the potential use of OAP MRDT to support the implementation of the Workforce Housing Strategy's recommended actions. The final Workforce Housing Strategy report is not yet complete.

MRDT Reallocation Options

The decision before the Board is whether OAP MRDT revenues would best support the region if directed towards tourism marketing or affordable housing. If a change is approved by the Board, then staff will prepare an Affordable Housing MRDT Plan outlining the use of the funds for Board approval.

There is also a question of timing. The CVRD may choose to direct OAP revenue to affordable housing initiatives as part of the annual MRDT Tactical Plan submission to Destination BC (due by November 30 each year). There is an immediate opportunity to reallocate OAP revenues to affordable housing with the submission of the 2024 MRDT Tactical Plan and Budget, which is due on November 30, 2023. If the CVRD chooses to pursue this change for 2024, Destination BC staff have advised that additional engagement with municipalities is encouraged to confirm their support for this change. Staff would send letters to each municipality within Cowichan to satisfy this requirement. 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 CVRD chooses not to pursue the reallocation of OAP revenues in 2024, the next opportunity to do so will be with the submission of the 2025 MRDT Tactical Plan and Budget in November 2024. This would allow more time to weigh the impacts of a change to MRDT allocation, as well as conduct additional stakeholder engagement if desired by the Board. It would, however, delay the provision of funding for affordable housing initiatives.

FINANCIAL CONSIDERATIONS

An application of OAP MRDT revenues towards affordable housing initiatives would represent an estimated reduction in revenue for Tourism Cowichan Society (TCS) of 18% annually based on their 2022 financial report. For reference, OAP MRDT made up just 6% of TCS's revenues in 2019.

Staff feel this change should have minimal impact on TCS operations given significant annual general MRDT revenue growth and associated surpluses. However, annual budgets and potential impacts on operations such as funding to visitor centers would need to be monitored.

COMMUNICATION CONSIDERATIONS

Staff will work with TCS to engage with the public and tourism operators on changes to the MRDT allocation to ensure a smooth transition, as well as around the use of the reallocated funds.

STRATEGIC/BUSINESS PLAN CONSIDERATIONS

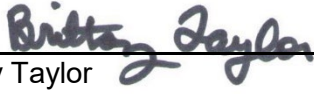
This report is connected with objectives 1 and 7 of the CVRD Corporate Strategic Plan, to increase the levels of economic resiliency, security, and prosperity for residents of the Cowichan Region; and protect existing, and encourage the development of additional, affordable housing options including those needed to attract workers.

Referred to (upon completion):

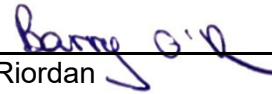
- Community Services (*Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit*)
- Corporate Services (*Finance, Human Resources, Information Technology, Legislative Services*)
- Operations (*Utilities, Parks & Trails, Recycling & Waste Management*)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

Prepared by:

Reviewed by:



Brittany Taylor
Economic Development Analyst



Barry O'Riordan
Manager



Clayton Postings
General Manager

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

Resolution:

Corporate Officer

Financial Considerations:

Chief Financial Officer



COWICHAN VALLEY REGIONAL DISTRICT

Resolution dated: November 8, 2023

1. **The CVRD send letters to each municipality seeking support for the reallocation of Online Accommodation Platform MRDT revenues to affordable housing; and**
2. **Staff work with Tourism Cowichan Society to prepare a 2024 MRDT Tactical Plan and Budget that allocates Online Accommodation Platform MRDT revenues to affordable housing, subject to municipal support.**

I, Kathleen Harrison, Deputy Corporate Officer of the Cowichan Valley Regional District do hereby certify the above to be a true and correct copy of an excerpt of the minutes of the meeting of the Board of Directors of the Cowichan Valley Regional District held on Wednesday, November 8, 2023, applicable to Resolution No. 23-535.

Date

November 14, 2023

Kathleen Harrison
Deputy Corporate Officer

INSERT LETTERHEAD

[INSERT DATE]

Cowichan Valley Regional District
175 Ingram Street
Duncan, BC V9L 1N8

Dear Mr. O'Riordan:

[Insert file number]

Please be advised, the Council of XXX passed the following resolution at the XXXX XX, 2023 Meeting:

That the reallocation of Online Accommodation Platform (OAP) Municipal Regional District Tax (MRDT) revenue to affordable housing within the Cowichan Valley Regional District (CVRD) effective January 1, 2024, be supported.

[Insert Name]

[Insert Position]

[Insert Contact Information]