

# 1/8

DISCUSSION PAPER

APRIL 2019

## HOUSING



Discussion Paper 1/8  
Residential Development  
April 24, 2019

Project Lunenburg  
Town of Lunenburg Comprehensive Plan

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This report was prepared by Upland Planning and Design  
in association with Turner Drake and Partners

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## Introduction

According to the 2016 Census, Lunenburg is home to 2,263 people who have their primary residence within the Town. As a basic necessity of life, every person who makes Lunenburg their home needs access to housing that is affordable, in good condition, and appropriate. As Lunenburg moves into the future, there will be a need for a diversity of housing options that meet changing community demands and accommodate people at various stages of life, with various abilities, incomes and family sizes.

This discussion paper is the first in a series of eight which provide context for the Town of Lunenburg and lay the foundation for the Town's Comprehensive Plan. They provide essential information for thoughtful input. This paper looks at demand before assessing the existing housing supply and affordability. The discussion will also identify opportunities and alternatives for housing supply.



# HOUSING SUPPLY AND DEMAND

It is essential to understand the current housing situation and broader trends in order to explore housing solutions in an informed manner. What are the factors that underly the experiences of current and prospective residents of Lunenburg?



The estimated number of retirement friendly homes Lunenburg may need over the next 20 years, based on statistical trends.



35% rented, 65% owner-occupied

In recent years there has been a national trend towards smaller, simpler housing forms; a trend driven by both household economics and preference. Lunenburg's aging population adds an accessibility component to this trend, though it is not only older residents that benefit from barrier-free housing. Many seniors may wish to remain in more traditional dwelling forms, with renovations and supports that enable this option across a lifespan. Statistical approximations estimate that there may be a need for about 60 retirement-friendly homes over the next 20 years.

Rates of homeownership have been declining nationally, and although it remains the most common tenure in Lunenburg at 65%, this is significantly low compared to the largely rural surrounding region where homeowners make up 80% of the population. Rentals (35% of tenure in Lunenburg) tend to be more common even in small urban centres like Lunenburg, and these units serve the needs of employees, students, young families and aging seniors.

Lunenburg has a lower median income when compared with both the region and the province, likely due in part to the high proportion of seniors relying on their savings or government transfers. While income growth has caught up to housing prices in recent years, the Town's proportionately low incomes and high shelter costs create a gap for more vulnerable residents like seniors, single parents, young adults and recent immigrants. Increasingly, residents and professionals are acknowledging the wide scope of affordability and cost of living. Housing and shelter costs like maintenance and utilities form the most obvious component, but proximity to amenities, transit, and community supports makes for a higher quality of life and saves money in the long-term. The dense, mixed-use nature of Lunenburg's Old Town may serve as an example for future development patterns, providing all residents with a diverse range of opportunities and services within walking distance.



Census data considers low-rise apartment buildings to include any building under five storeys with multiple units, which can include units of residential, commercial or other uses. While it does include purpose-built rentals (of which there are very few in Lunenburg), this definition can also include dwelling forms such as apartments in converted single-detached dwellings or units above commercial store fronts. Using this definition, almost 23% of all dwellings are apartment buildings, and the rental of unconverted homes likely accounts for the other 12% of rental tenure. While many of these apartment units make up the Town's rental stock, they tend to shift between the rental and ownership markets.

Like most of rural Nova Scotia, Lunenburg is made up of mostly single-detached dwellings (71% of permanent residences), the majority built in the mid 20<sup>th</sup> century. About a third of the Town's housing stock was built before 1900, and the dwellings are in very good condition compared to provincial averages, providing an important contribution to the UNESCO heritage designation.

Single detached dwelling converted to apartments.

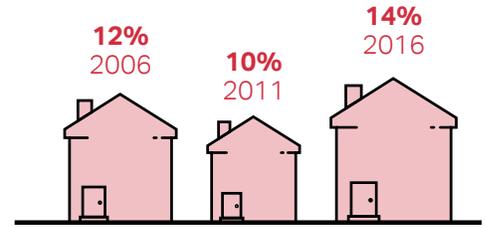


Apartments above a commercial storefront.





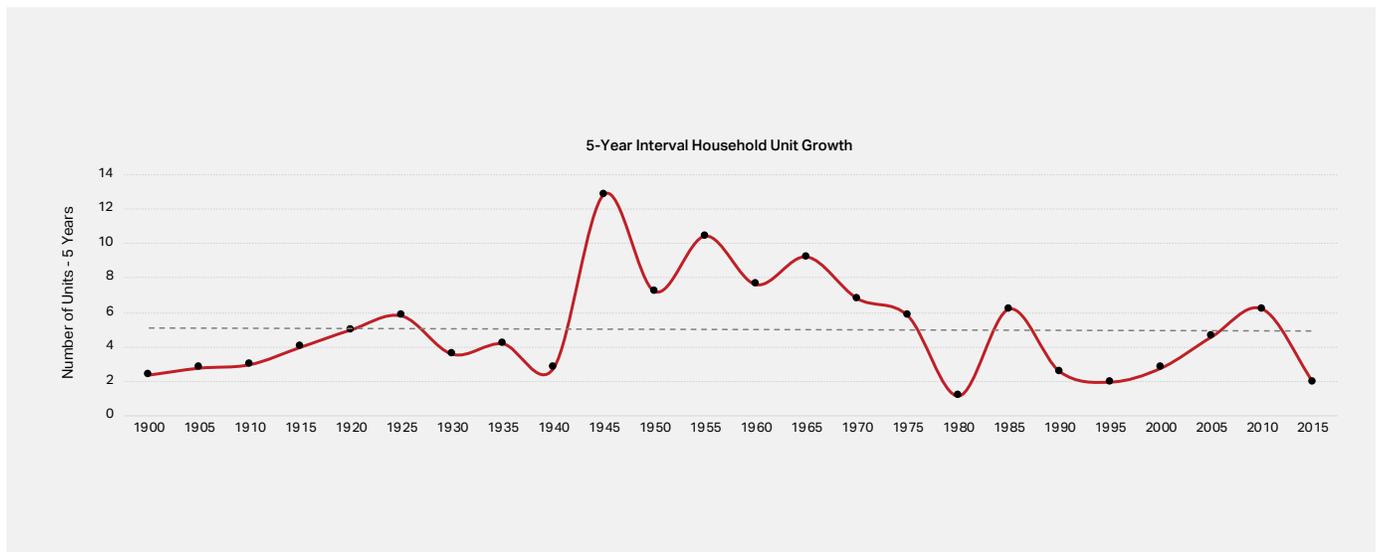
Of the 1,206 dwellings in the Town of Lunenburg, 14% are seasonal residences (up from 10% in 2011 and 12% in 2006). The Town also has one of the highest rates of international ownership in Nova Scotia (provincial statistics exclude Halifax), and these buyers make up half of all temporary residents.

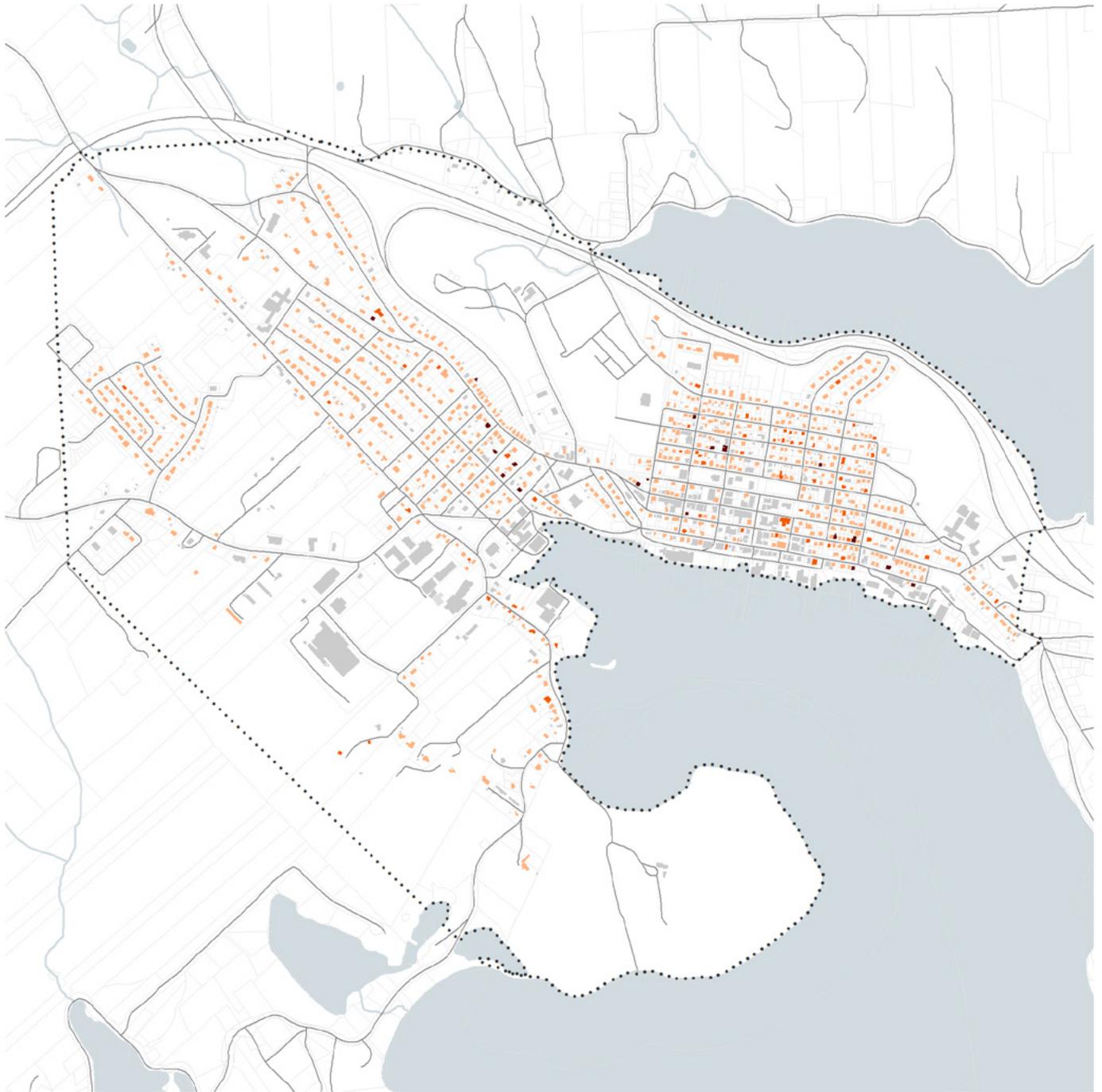


14% of Lunenburg's dwellings are seasonal residences

Looking at the bigger picture, Lunenburg's housing stock has been growing consistently at about 4 units per year since the end of the post-war boom. While construction since 2015 has been slowing to near record lows, historical data suggests that the market tends to recover in cycles.

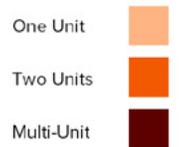
Though community feedback indicates demand, development has lagged. This suggests a barrier of some type, either regulatory or economic. However, like the rest of Nova Scotia, Lunenburg is experiencing a significant demographic shift; as older generations continue to age, more and more homes will be entering the real estate market, increasing supply and decreasing prices. That said, as a hotspot for visitors, it is uncertain as to who will be purchasing these homes and where they will come from. Lunenburg has among the highest rates of non-resident ownership in Nova Scotia, meaning those people not living in Canada who have a vested interest in property as either a second home, a rental, or both.





**Residential Structures**

The building footprints of residential structures are shown according to the number of units. The majority of residential structures in Lunenburg are one unit.



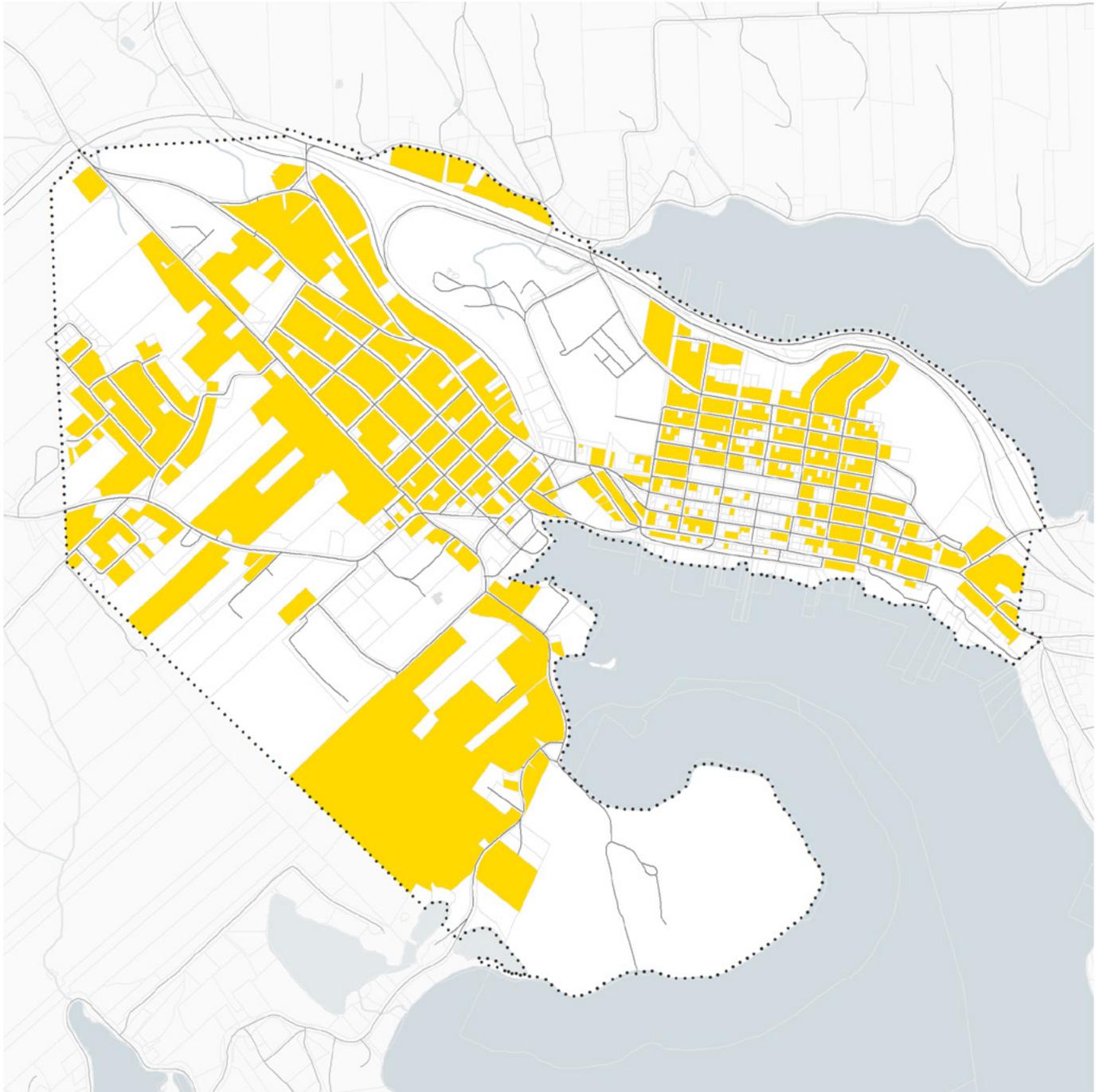


Development began in Lunenburg's downtown and expanded to the west edge, now referred to as Old Town and New Town respectively. Residential land use is currently dispersed throughout the Town, with lot sizes varying considerably between neighbourhoods. Approximately 30% of parcels have a primarily residential land use.

The map on Page 9 shows assessment value density and includes the full range of valuations. This is a financial assessment, while the social and environmental values of land will be explored elsewhere. Looking at the two distinct neighbourhoods of Lunenburg, the development pattern of Old Town requires more public streets to service a smaller area, but it also has significantly higher assessed property values. The greater density of housing in Old Town, as well as smaller lots and mixed uses allows the Town to generate more tax revenue per unit land area. This economic efficiency can create stable tax rates, reduce the public's tax burden and provide higher quality services for less cost. These are some of the differences even small development regulations can make.

In order to understand the potentially available land area from a housing market and taxation perspective, the map on Page 10 shows the parcels which are assessed at the lowest 10% of all valuations (around \$20 per square metre) and are considered developable by the current zoning. This totals 149 parcels that are therefore considered underutilized from a valuation perspective.

Despite there being opportunity for development on this underutilized land, there are factors other than land value that provide barriers to the creation of new housing options. Underutilized land is not necessarily viable, and potential constraints including servicing, topography, remediation needs, land use regulations, lack of interest, and unwillingness to subdivide or sell.

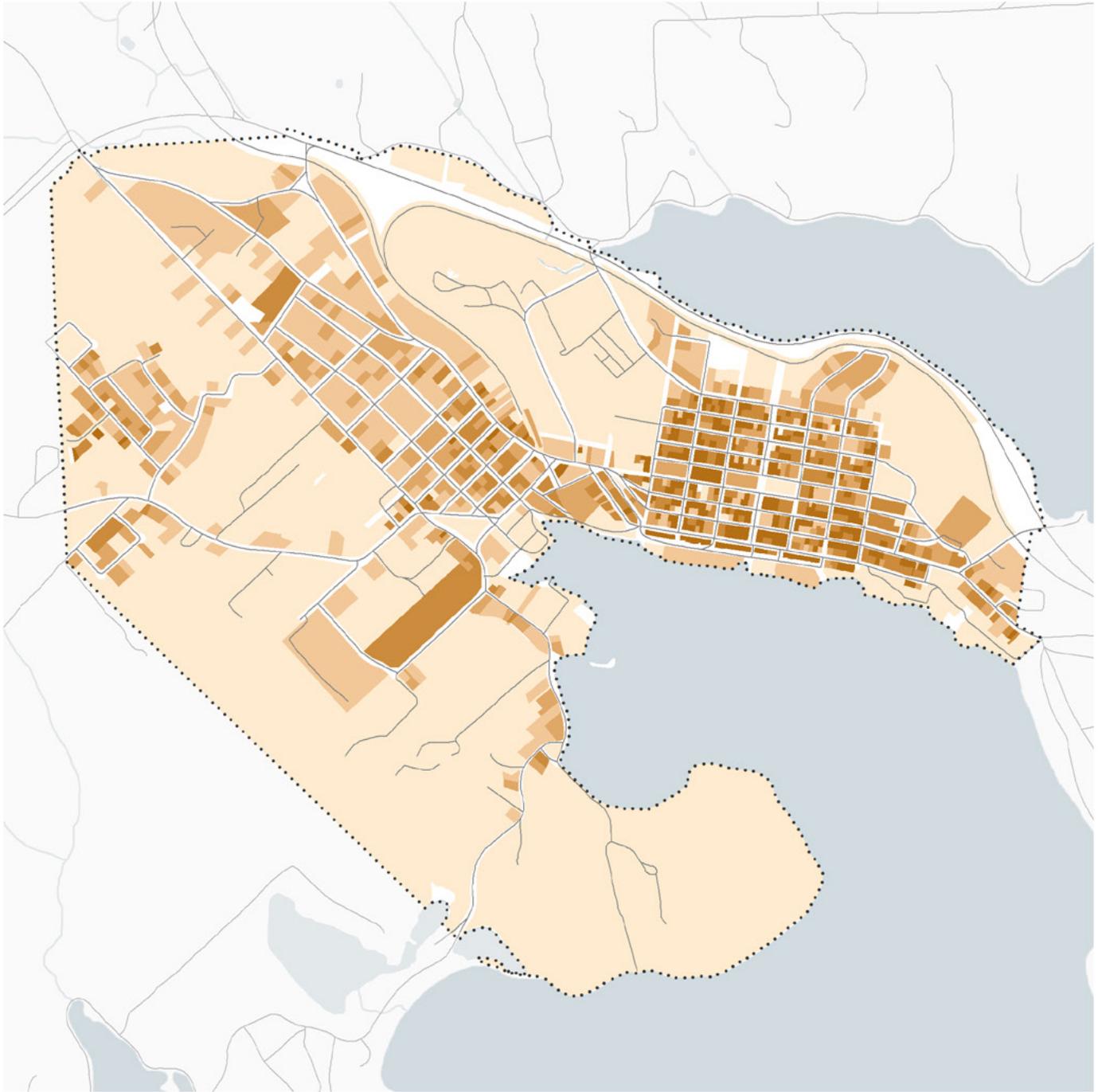


### Residential Land Use Map

The parcels with a primary land use that is residential are indicated in yellow. Approximately 30% of the area of the Town is considered to have primarily residential use.

Residential

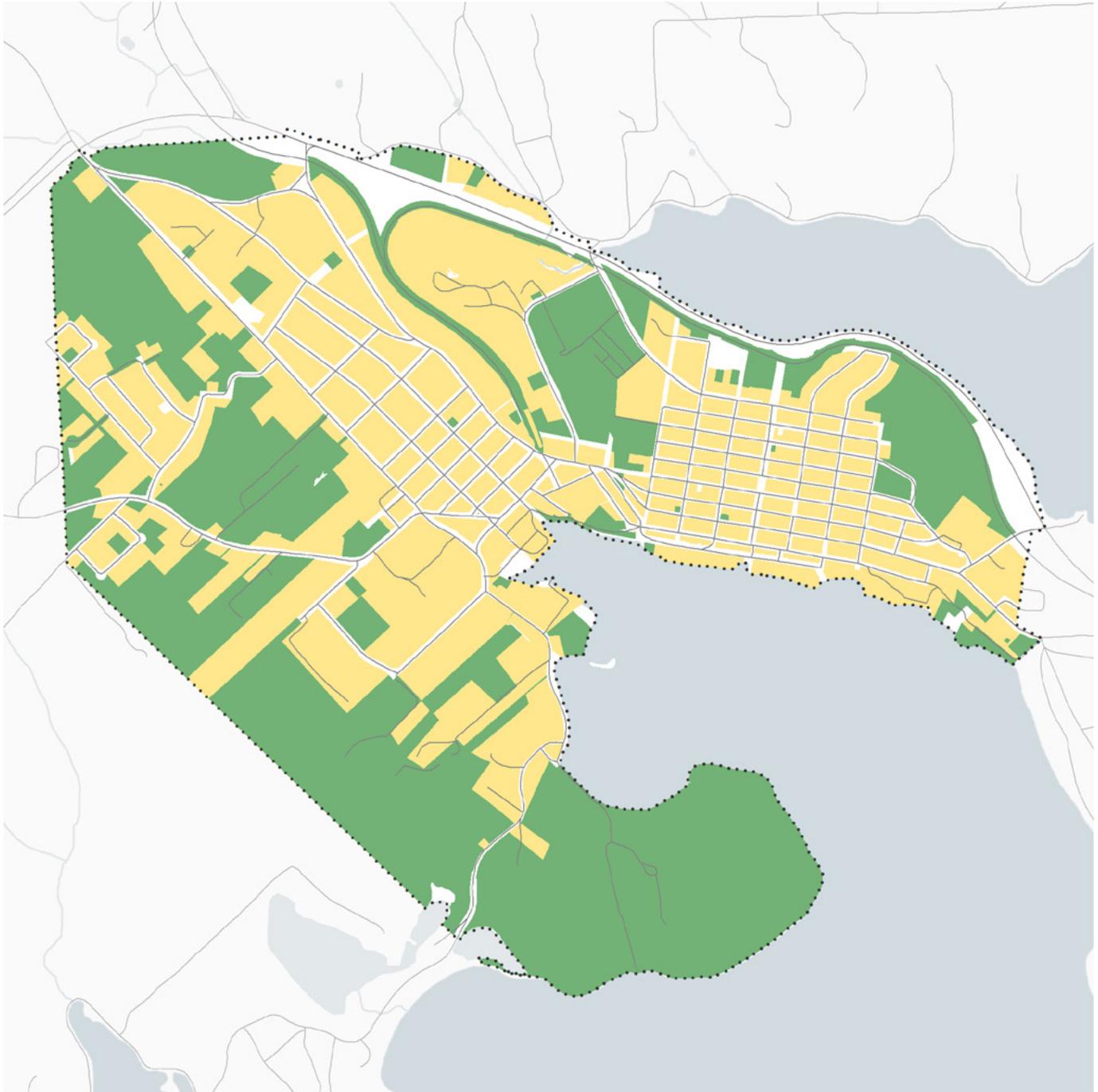




**Assessment Value Density**

Assessment value density is presented as dollars per square metre, with a range from \$0/sq metre to \$3519/sq metre.





**Underutilized Land Based on Valuation**

The green parcels show land that is in the lowest 10% of property values per square metre.



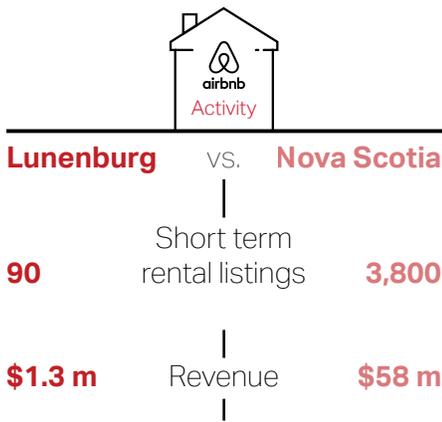


Lunenburg is a long time tourism destination, and the Town services have always struck a balance to provide for both residents and visitors. While vacation rentals have been present throughout recent history, the more recent development of online listings hosted through websites like Airbnb has increased both the popularity and the transparency of this market. The short term rental market allows rural communities with limited investment potential to dramatically increase their supply of visitor accommodations and it can also allow homeowners to earn a second income to support their cost of living.

On the other hand, the short term housing market creates concerns about the traditional hospitality industry and the supply of long-term rental housing, creating shortages even in a declining population. In rural communities such as Lunenburg, housing shortages can result in into vulnerable leases, long commutes, or less suitable housing situations.

Currently the regulation of short term rentals is carried out through the *Land Use Bylaw Policy 3.6 Special Requirements: Tourist Homes*. It provides that a single, two or three-unit dwelling may be used as a tourist home in any residential zone. It sets forth requirements for signage, permitting 1 non-illuminated sign with a surface area of less than 0.45 square metres (5 sq feet).

The policy also directs where a tourist home may be located, disallowing two tourist homes from existing within a set distance of each other. In the Old Town Residential Zone this distance is 180 feet, and 300 feet in all other Residential Zones. Enforcement is only one of a number of challenges managing contemporary short term rentals through the *Land use Bylaw* in a changing accommodations market.



Within Nova Scotia as a whole, there were over 3,800 short term rental hosts in 2018, generating almost \$58 million in total. These numbers are derived from AirDNA's market data and include listed Airbnb and HomeAway rentals, excluding others advertised through real estate agents or sites like Kijiji and VRBO (Vacation Rentals by Owner). In the Town of Lunenburg, AirDNA counted 90 active listings in September 2018, with all listings creating over \$1,350,000 in revenue that year. Top earning hosts in Nova Scotia tend to be run by property management companies, operating between 25 and 50 properties and making up to \$900,000 per year. In contrast, Lunenburg's short term rental market consists mostly of home owners renting only one property, earning up to \$85,000 per year. Between 2016 and 2018 the local market has surged, growing from 2 to 88 listings (a 4,300% change). Based on broader trends, this growth is expected to continue in the near future. Although the number of both listings and bookings has been increasing steadily, the rental demand follows a predictable annual cycle. August and September are peak season, maxing out at 85 booked properties and over 1,600 nights booked in 2018. The average price for a short term rental in Lunenburg is \$99 for a private room, or \$126 for a full house. The split between full house rentals and rooms is fairly even, with full homes making up 52% of listings at peak season in 2018.

**\$99**

FOR A PRIVATE ROOM

**\$126**

FOR A FULL HOME

Average daily price for a short term rental in Lunenburg



It is difficult to assess the impact of listings on the availability of long-term rentals. The 2018 peak of 90 listings is noteworthy compared with Lunenburg’s estimated 365 rental units, but the majority have likely come from the owner-occupied market. Many of these residences could have been seasonally occupied for decades.

Data on the short term rental market is limited, and the market is largely unregulated across Canada (though Airbnb has recently partnered with Revenue Canada to encourage hosts to declare their earnings). Regulation could level the playing field for the accommodations industry and limit the agency of short term rentals by using a combination of permitting, taxation, and bans. Additional limitations can be placed on the days per year that a residence can be rented, as well as the number of rooms. Exemptions from these regulations may include all primary residences or primary residences rented for the duration of an annual vacation or tourism event. Some communities may also implement fees for online platforms like Airbnb.

Legislation introduced in Nova Scotia in 2019 proposes to repeal the *Tourist Accommodations Act* and form an online registry for short term rentals. As it stands, the regulation will not apply to those renting out their primary residence, but all others will be required to apply and pay a commercial tax. There is some concern about the verification of primary residence claims, and many details are still undecided, but the proposed legislation could take effect within a year. If Lunenburg wishes to pursue the development of their own legislative toolbox, regulations combined with incentives to provide long-term rentals may balance out some of the impacts of short term rentals, or at least provide the Town with better baseline data. Many communities have attempted it before with mixed results, as these laws can be unpopular and many Towns lack the ability or resources to enforce them.





## ► Bar Harbour

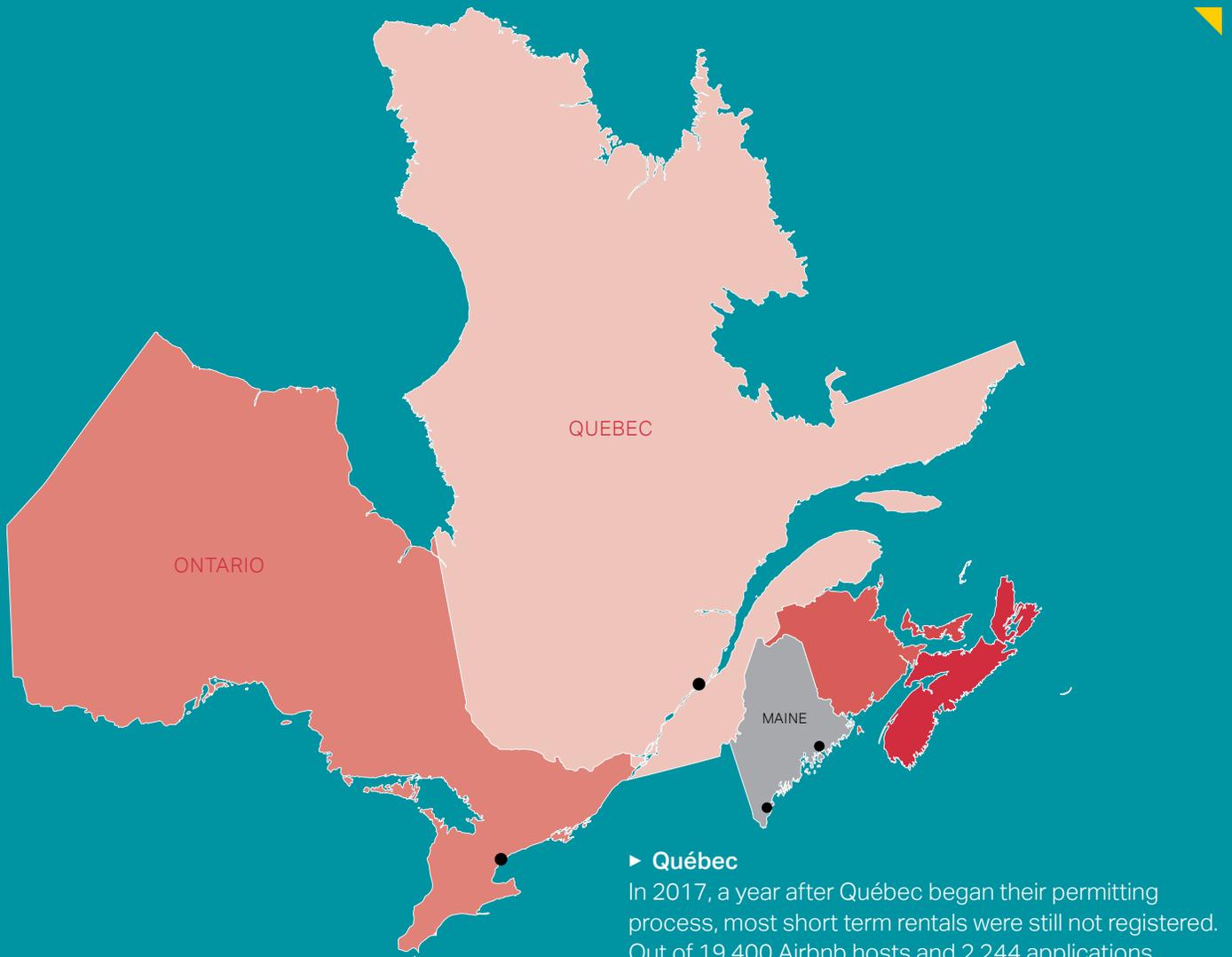
In 2006, Bar Harbour, Maine created laws requiring short term rentals (rented for between 5 and 30 days at a time) to be registered and inspected with the Town. The number of short term rentals has continued to grow since the start of this regulation, with about 150 active Airbnbs in 2017 and over 400 registered short-term rentals. Code violations are met with warnings and can be resolved either through civil consent agreements or legal action. The application fee for Bar Harbour hosts is \$250 (up from \$50), and a requirement has recently been added for annual registration and inspection (an estimated \$120,000 in annual revenue for the Town). A private firm monitors and enforces the law, with \$28,000 of the annual revenue set aside for their fees. Some of this income goes towards staff time for processing applications, while the remainder will be returned to tax payers.

The regulations have had mixed reviews from property owners and residents, with many hopeful that increased costs may help encourage owners to provide long-term rentals. Some short-term rental owners felt the fee was reasonable and worth the monitoring for safety and liability purposes. One major criticism of the regulations is that it does not distinguish between full house rentals and room rentals.

## ► Kennebunkport

Kennebunkport, Maine is currently undergoing a review of options for short-term rental regulations. The Town had a dramatic increase in Airbnb listings between 2015 and 2016, and the internet listings have made the reality of traditional cottage communities more transparent. In 2018, 270 listings were identified, and the Town feels it may be valuable to receive some revenue from this growing industry, potentially helping to offset the costs of lost housing and nuisance. At the same time, it is important to the Town that there be flexibility for property owners in need of this added income.

Banning short term rentals was not considered an option due to constitutional concerns, and other jurisdictions who have attempted a ban (including Tiburon, California and South Portland, Maine) had immediate public outcry and massive issues with enforcement. The analyzed options included non-zoning regulations, which may be most flexible and could set standards for duration, inspections, and permitting. The other option, licensing, would create a registry, allowing the town to impose limits on the available licenses. Some limitations are difficult to enforce, and penalties may not stop more profitable owners from listing rentals, but the Town is weighing the benefits of both complaint-based systems and monitoring.



#### ► Toronto

In 2017, Toronto Council voted in favour of requiring short term rentals (offered for up to 28 days at a time) to register with the city for an annual fee of \$50, while hosts listing a property other than their primary residence will be blocked from sites like Airbnb (similar to recent Vancouver regulations). In the midst of a housing crisis, short term secondary suites monopolize much of the city's housing stock.

Those offering a primary residence may offer up to three rooms, or the entire home can be rented for 180 days per year. Online platforms will be required to pay a one-time fee of \$5,000 plus an additional \$1 per night booked. While many housing advocates support the regulation, some home owners feel that renting basement apartments provides a needed second income (though basement apartments could be deconverted and offered as a room in the house). The attraction of these rentals is obvious—some hosts estimate they make 30% more on short term rentals than permanent tenants.

#### ► Québec

In 2017, a year after Québec began their permitting process, most short term rentals were still not registered. Out of 19,400 Airbnb hosts and 2,244 applications received by Tourisme Québec (now the responsibility of Revenue Québec), only 967 permits were issued. The first of its kind nationally, this law requires renters providing short term rentals (for 31 days or less) to acquire a bi-annual classification certificate (and potentially a permit, depending on the municipality) and pay a hotel tax, though recently the certification process has become optional for primary residences. Penalty fines range between \$2,500 to \$25,000 per day, while corporations can pay between \$5,000 and \$50,000 per day.

Some have criticized the law for being overly complicated and hard to enforce, and the Province has discussed changes which may include guidelines around the total number of days per year a listing may be rented. Existing exemptions for the permit include annual rentals for specific tourism events, and households renting out homes while on vacation. In 2019, the availability of long-term rentals is still a concern, and enforcement continues to be a struggle.

# AFFORDABILITY

A vibrant and healthy community has a variety of housing at prices that are affordable for a range of incomes. What is the degree of affordability in Lunenburg, and what housing models prioritize affordability over profit?



Affordability is defined here as 30% of a household's before-tax income, and should cover the complete cost of shelter. There are many barriers that residents may face in finding suitable, cost-appropriate housing, and the big picture data often doesn't reflect the reality of those struggling most. Housing is provided across a spectrum, from emergency shelters to home ownership, and a variety of dwelling types and housing models are needed to meet the needs of all residents. This discussion of affordability breaks Lunenburg down by tenure and analyzes the existing state of housing.



The full continuum of housing includes much more than market home ownership.



Over 55% of Lunenburg home owners have paid off their mortgage (significantly more than regional and provincial proportions), which creates a vast range of shelter costs. The Town's median monthly shelter cost is \$752 for owners and \$810 for renters. Again, reflective of the low proportions of housing debt, these costs do not accurately reflect the affordability for prospective residents looking to buy. Sales data indicates that the median sale price over the past 20 years was \$217,139, or \$1,279 in monthly mortgage payments. If a household is willing to spend 30% of their income on this mortgage they would require a before-tax income of \$51,160; more when other shelter costs such as insurance and utilities are considered. With this baseline, over 50% of residents would not be able to afford the average mortgage, keeping in mind that 65% of current households own their home. Housing prices have also been trending upwards, with an annual increase of 9.7% in median sale prices between 2000 and 2018.

Of renter households, 41% reported spending over 30% of their income on shelter, which although significant is consistent with provincial and regional trends. Although the Town has a high proportion of owner households without housing debt, around 23% in both Lunenburg Town and region spend over 30% on their shelter costs, double that of the provincial average. This in combination with Lunenburg's high shelter costs and low incomes may suggest income-induced housing poverty, as well as shelter-cost induced housing poverty (often affecting residents living off savings or government transfers). For home owners, barriers to affordable housing could include insufficient income (particularly in the senior population), a change in income (such as retirement, health issues, or the loss of a spouse), as well as high costs of maintenance and utilities. Across tenures, the population most affected by affordability issues is the lowest 30% of incomes, sometimes masked by data averages.





Despite these concerns, Lunenburg is experiencing fairly stable mortgage payments and increasing incomes. Considering this shift, the affordability of home purchasing appears to be improving, and shelter cost burdens decreasing. This positive trend is in large part due to a steady decline in mortgage interest rates, reducing debt for home buyers. It is likely that these interest rates will stabilize around the current low levels, although over the long-term they will eventually return to higher levels, potentially affecting home buyers within the coming decade and changing the landscape once again.

Housing affordability is a typical topic of concern in urban areas, but is rather pronounced within Lunenburg's town limits. At the heart of the issue is the general cost of homeownership – best summarized by 23% percent of Lunenburg homeowners spending more than 30% on shelter costs. Interestingly, for the reasons noted above, the rate of unaffordability is decreasing. Regardless, the incomes needed to buy the average Lunenburg home remains out of reach for many, including younger generations hoping to enter the housing market.

While these affordability challenges are real and public attention to the issue is justified, the data also shows that this has been a long-standing issue in the Town; Lunenburg has long been a higher-priced community where the attraction of outside wealth has maintained prices at levels that are less within the reach of those employed locally. Furthermore, though the advent of services such as Airbnb have made the issue of non-resident property ownership and occupation more visible, long-term trends suggest actual growth in non-permanent dwelling occupancy is static. In other words, many of the Town's contemporary housing issues are just a new twist of a long-standing trend.

## Alternative Housing Models Case Studies

Changing market trends can lead to a demand for alternative housing models which better suit emerging housing needs. Some of the models which may enable suitable housing development include intergenerational housing, land trusts, and cohousing arrangements. Encouraging multi-unit dwellings, smaller single storey homes, secondary suites and accessible design can also contribute to filling this gap, as can financial models such as rent to own housing or rent geared to income.

### ► Home Share

Homeshare.ca is a website with an intergenerational focus, dedicated to pairing home owners with compatible housemates looking for affordable housing. There are ten active home share programs throughout the country, including Annapolis Valley Homeshare in Nova Scotia.

Home providers typically offer affordable accommodations in exchange for an agreed level of help, often allowing seniors to remain independent in their homes by finding a housemate (often a student), to help out with housework, meals, errands, or simply provide companionship. At Homeshare Northumberland in Ontario, participants go through an application process (providing references and a background check) before participating in an interview with program leaders. If a compatible host is found the organization sets up introductions, and a two-week trial period is allowed prior to commitment. Once a host and applicant are paired, a written agreement outlines expectations and the organization stays in touch throughout the lease. Rents for home shares in this area range from \$250 to \$400.



► **The Champlain Housing Trust**

Founded in 1984, the Champlain Housing Trust has expanded to become the largest community land trust in the United States. The organization manages 2,200 apartments and stewards 656 owner-occupied homes and six housing co-ops located throughout three counties in Northwest Vermont. Local members elect a Board of Directors representing equal parts local government, residents, and the wider community—this democratic structure allows the group to allocate permanently affordable housing to low- and moderate-income households of varying ages and abilities, prioritizing the most underserved populations.

The housing trust provides a range of services including energy efficiency loans, homebuyer education, financial counselling, down-payment and home repair loans. A shared equity program allows buyers to purchase a house without down-payment and a reduced mortgage. State and federal funds provide down-payments of 20-30% of market value so the trust can provide affordable homeownership until an owner wishes to sell the home back through the trust to another qualified buyer.

► **Elderberry Cohousing**

Located just north of Raleigh, North Carolina, Elderberry Cohousing sits on 20 acres of land in a small rural Town of 978 people. The housing was developed on an old farmstead and includes households of couples and individuals living in 18 private, energy efficient and accessible townhomes, all backing onto a Common House. Half the land is joint-owned with Potluck Community Farm and provides secluded trails and views. With the annual membership fee of \$300, current and prospective residents agree to attend meetings, workdays and social events. While living is independent, the households of Elderberry make their decisions through consensus and share occasional community meals and gardening.

Homes vary in size and price (a current listing is going for \$205,000), and additional homeowner expenses cover maintenance that cannot be provided by the member residents. Time commitments to administrative tasks and land maintenance reduce overall costs of homeownership, though members are responsible for their own interior home maintenance and utilities.





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Contains information licensed under the Open Data & Information  
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Town of Lunenburg Land Use Bylaw.



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**HOUSING**

APRIL 2019

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