

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: April 28, 2021

TO: Housing Advisory Committee

FROM: Greg Newman, Manager, Planning

SUBJECT: Defining “Affordable Housing” in the City of White Rock

RECOMMENDATION

THAT the Housing Advisory Committee recommend the following resolution to Council:

WHEREAS White Rock Council has directed staff to define affordable housing; and,

WHEREAS the Housing Advisory Committee (HAC) is tasked with providing advice to Council regarding potential housing and affordable housing policies, tools, incentives and partnerships that support a range of housing options and affordability levels in the City of White Rock; and,

WHEREAS staff have been working with members of the HAC to prepare a draft definition of “affordable housing” that not only reflects approaches undertaken by higher levels of government, housing agencies, and other industry partners, but is also reflective of local considerations; and,

WHEREAS many agencies including the Canada Mortgage and Housing Corporation (CMHC), Metro Vancouver, and BC Housing recognize “affordable housing” as being that for which “shelter costs”, commonly including rent or mortgage payments, property taxes, strata fees, heating costs, and in some cases internet fees, do not exceed 30 percent of the before tax (gross) income of the household; and,

WHEREAS roughly 67 percent of all households in the City (6,720 homes) have a gross income of less than \$90,000, being the income threshold generally needed to purchase a home at the lower end of the local ownership market while respecting the 30 percent threshold; and,

WHEREAS approximately 40 percent of all households (3,955 homes) have incomes of less than \$50,000, being the household income needed to afford the average market rent in White Rock (i.e., \$1,191 per month in 2020 as identified by CMHC), while staying within the 30 percent threshold; and,

WHEREAS variability in household income is such that many low-to-moderate income households in the region do not have the financial capacity to enter into the ownership market nor do they have income sufficient to cover the costs of market rental housing in the City of White Rock;

THEREFORE BE IT RESOLVED THAT Council direct staff to prepare affordable housing definitions for the Official Community Plan considering factors including gross household income, the tenure of the household, and the costs associated with maintaining a home, and to focus on ensuring policies for affordable housing are directed toward increasing the supply of rental housing for “very low income households” and “low income households,”; and,

BE IT FURTHER RESOLVED THAT Council direct staff to base the definition of “affordable ownership housing” on a 30 percent income-to-shelter-cost ratio, and to base the definition of “affordable

rental housing” on housing where the rent is 20 percent below the average rents, by unit type (number of bedrooms), of purpose-built rental apartments in the city.

EXECUTIVE SUMMARY

Planning staff have been working with the Housing Advisory Committee to evaluate potential approaches to defining “affordable housing” for the City of White Rock. This work has led to the preparation of draft definitions of “affordable ownership housing” and “affordable rental housing” in addition to complementary definitions that may, collectively, be used to prepare land use policies, regulations, and programs that support local housing options unlikely to be satisfied by the private market.

PREVIOUS COUNCIL DIRECTION

Motion # & Meeting Date	Motion Details
January 11, 2021 2021-011	THAT Council direct staff to define affordable housing.

INTRODUCTION/BACKGROUND

In 2019 the City of White Rock established a Housing Advisory Committee (HAC) to “provide advice to Council regarding potential housing and affordable housing policies, tools, incentives and partnerships that support a range of housing options and affordability levels in the City of White Rock”. Since taking office, Council has been committed to defining “affordable housing” so that there is greater clarity regarding the term when used in the context of development (planning) proposals and other municipal projects. Staff have been working with HAC members to prepare a draft definition of “affordable housing” that not only reflects approaches undertaken by higher levels of government, housing agencies, and other industry partners, but is also reflective of local considerations. On January 11, 2021, Council passed a resolution recommended by the Housing Advisory Committee to request that staff define affordable housing. This work is to be done in conjunction with the Housing Advisory Committee.

On January 27 and February 24, 2021, staff presented HAC with information regarding varying approaches to defining affordable housing. Generally, agencies including the Canada Mortgage and Housing Corporation (CMHC), Metro Vancouver, and BC Housing recognize “affordable housing” as being that for which “shelter costs”, commonly including rent or mortgage payments, property taxes, strata fees, heating costs, and in some cases internet fees, do not exceed 30 percent of the before tax (gross) income of the household. While this approach provides a helpful starting point to consider housing affordability, when it is applied to households of varying income levels, particularly throughout the Lower Mainland, it becomes clear that many are forced to spend more than 30 percent of their household income to “afford” shelter costs made available by the private market.

Evaluating Affordable Housing as it relates to Ownership and Rental Households

Appendix A includes two tables which highlight “thresholds of affordability” considering the tenure of housing, the gross household income, and assumed shelter costs. The following sections give greater merit to the information presented in the tables.

Ownership Housing and Local Incomes

As it relates to ownership housing, Table A in the Appendix illustrates the household incomes that would be required to cover the shelter costs associated with the purchase of a home while respecting the 30 percent income-to-shelter-cost threshold commonly attributed to “affordable housing”. Per the 2016 Census, the median and average household incomes in White Rock were \$62,344 and \$89,992, respectively; these are explicitly referenced in Table A. At these income levels, a household could afford the purchase of a home being roughly \$250,000 and \$450,000, keeping within the 30 percent threshold. This assumes that the purchaser is able to put 20 percent down and secure a 25 year amortization period at 2.0 percent. This also assumes monthly property taxes generated at 4.14 percent of the purchase price, monthly strata fees of \$300, as well as \$100 in hydro fees, and \$80 in internet expenses per month; note that property taxes are tied to the “assessed value” of the property as determined by BC Assessment and may not be fully aligned with the purchase price of the home. Data presented in the City’s “Part 1” Housing Needs Report prepared by Metro Vancouver (see www.talkwhiterock.ca/housing) provides that the 2019 benchmark price of a single detached dwelling in White Rock / South Surrey was \$1,340,900, the benchmark price for a townhome was \$648,300, and for an apartment / condominium the price was \$500,100. At these prices, a household would need gross incomes of approximately \$240,000, \$120,000 and \$95,000, respectively, to afford the shelter costs of the home within the 30 percent threshold. Table 1 below summarizes the number of owner and renter households in White Rock based on their gross household income. As outlined in the Table, roughly 67 percent of all households in the City (6,720 homes) have a gross income of less than \$90,000, being the income threshold generally needed to purchase a home at the lower end of the local ownership market.

Table 1: Number of White Rock Owner and Rental Households by Household Income (2016 Census)

Gross Household Income	Owner		Renter		Total	
	#	% of Owner	#	% of Renter	#	% of Total
Under \$5,000	115	2%	130	4%	245	2%
\$5,000 to \$9,999	55	1%	45	1%	95	1%
\$10,000 to \$14,999	95	1%	235	7%	330	3%
\$15,000 to \$19,999	210	3%	220	7%	435	4%
\$20,000 to \$24,999	280	4%	320	10%	600	6%
\$25,000 to \$29,999	245	4%	205	6%	450	4%
\$30,000 to \$34,999	305	4%	235	7%	540	5%
\$35,000 to \$39,999	250	4%	155	5%	405	4%
\$40,000 to \$44,999	275	4%	135	4%	410	4%
\$45,000 to \$49,999	285	4%	160	5%	445	4%
\$50,000 to \$59,999	580	9%	295	9%	875	9%
\$60,000 to \$69,999	530	8%	180	6%	715	7%
\$70,000 to \$79,999	420	6%	210	7%	625	6%
\$80,000 to \$89,999	415	6%	135	4%	550	5%
\$90,000 to \$99,999	375	6%	85	3%	455	5%
\$100,000 to \$124,999	570	8%	190	6%	760	8%
\$125,000 to \$149,999	525	8%	105	3%	630	6%
\$150,000 to \$199,999	600	9%	125	4%	730	7%
\$200,000 and over	660	10%	50	2%	715	7%
Total Households	6,795	100%	3,210	100%	10,005	100%

Table B in the Appendix presents the thresholds of rental housing considering the cost of rent in addition to \$100 per month in hydro costs and \$80 per month in cable / internet fees. The Table illustrates that in order to “afford” the average market rent in White Rock (i.e., \$1,191 per month in 2020 as identified by CMHC), while staying within the 30 percent threshold, the gross income of the household would need to be roughly \$50,000 dollars or higher. As outlined in Table 1, approximately 40 percent of all households (3,955 homes) have incomes of less than \$50,000. Of these, 2,115 are owner households, representing 31 percent of the ownership stock (6,795 homes), and 1,840 are renter households, representing 57% of the rental stock (3,210 homes). The high proportion of White Rock households with incomes of less than \$50,000 may be reflective of the similarly high number of households occupied by retirees now living off a fixed income (e.g., pension, old age security, etc). For such owner households, shelter costs may be lower than assumed as many households have likely paid off the mortgage and, potentially, benefitted from the escalation in housing prices evidenced throughout the Lower Mainland. That being said, for existing renter households, the continued increase in housing costs may only further compromise the ability of occupants to enter into the ownership market, if desired.

Defining Affordable Housing

The income data presented in Table 1, set against ownership and rental housing costs in White Rock, provides that many households would not be able to “afford”, within the 30 percent threshold, what the private market is currently offering. This discrepancy highlights the need to not only define “affordable housing” on the basis of a set income-to-shelter-cost ratio, but to look at varying thresholds of affordability based on the gross income of the household. Recognizing varying household income thresholds would allow the City to create land use policy, regulatory controls and housing incentives that support greater degrees of affordability along a spectrum of household incomes. BC Housing, for example, defines “low and moderate income limits” for residential units with less than two bedrooms (i.e., \$75,730 in 2021) as well as those with two or more bedrooms (i.e., \$117,080 in 2021). These income thresholds are used to determine whether a household is eligible for programs and supports provided by the organization. The City of Vancouver has similarly defined target incomes for local housing program eligibility. Metro Vancouver’s 10-year Housing Plan provides a regional approach to defining “household income groups” based on the extent to which the gross income of the household aligns with that of the median income household in the region (see Figure 1).

RENTAL HOUSEHOLDS BY HOUSEHOLD INCOME GROUP (2016)

Household Income Group	Definition (Annual Household Income)	Number of Rental Households	% of Rental households
Very Low Income (Less than 50% of median income)	Under \$35,000	126,630	36%
Low Income (50% to 80% of median income)	\$35,000 - \$60,000	80,755	23%
Moderate Income (80% to 120% of median income)	\$60,000 - \$85,000	57,440	16%
Above Moderate Income (120% to 150% of median income)	\$85,000 - \$115,000	38,850	11%
High Income (More than 150% of median income)	\$115,000 +	45,030	13%
Total Renter Households		348,695	

SOURCE: STATISTICS CANADA, CENSUS 2016

NOTE: REGIONAL MEDIAN HOUSEHOLD INCOME (RMHI) - \$72,600

Figure 1: Household Income Groups (Source: Metro Vancouver 10-Year Housing Plan)

Staff have applied the thresholds established by Metro Vancouver to the 2016 median household income in White Rock to define “income thresholds” as outlined below:

<p>Very Low Income Household:</p> <ul style="list-style-type: none"> - A household with gross household income of less than 50 percent of the median household income of the municipality (e.g., in 2016, gross income of less than \$31,173). <p>Low Income Household:</p> <ul style="list-style-type: none"> - A household with gross household income of 50 to 80 percent of the median household income of the municipality (e.g., in 2016, gross income of between \$31,173 and \$49,875). <p>Moderate Income Household:</p> <ul style="list-style-type: none"> - A household with gross household income of 80 to 120 percent of the median household income of the municipality (e.g., in 2016, gross income of between \$49,876 and \$74,813). <p>Above Moderate Income Household:</p> <ul style="list-style-type: none"> - A household with gross household income of 120 to 150 percent of the median household income of the municipality (e.g., in 2016, gross income of between \$74,814 and \$93,516). <p>High Income Household:</p> <ul style="list-style-type: none"> - A household with gross household income of greater than 150 percent of the median household income of the municipality (e.g., in 2016, gross income of \$93,517 or greater).
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Table 2 and Figure 2 below identify the number and proportion of owner and renter households in White Rock falling, generally, within the household income groups outlined in the definitions.

Table 2: Proportion of Households by Household Income Group in White Rock (2016 Census)

Household Income Group	2015 Income (per 2016 Census)	Owner		Renter		Total	
		#	% of Owner	#	% of Renter	#	% of Total
Very Low Income Household	Less than \$29,999	1,000	15%	1,155	36%	2,155	22%
Low Income Household	\$30,000 to \$49,999	1,115	16%	685	21%	1,800	18%
Moderate Income Household	\$50,000 to \$79,999	1,530	23%	685	21%	2,215	22%
Above Moderate Income Household	\$80,000 to \$99,999	790	12%	220	7%	1,010	10%
Very High Income Household	\$100,000 and over	2360	35%	470	15%	2,830	28%
Total Households		6,795	100%	3,215	100%	10,010	100%

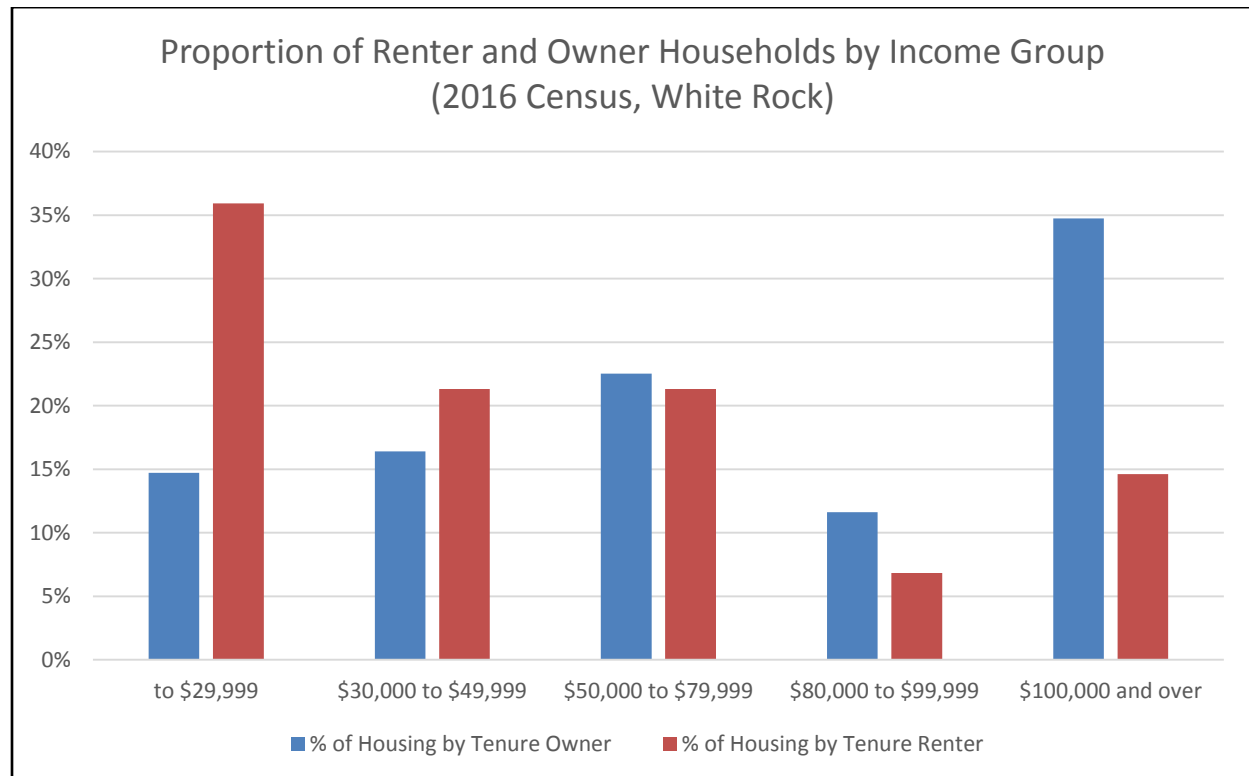


Figure 2: Proportion of Renter and Owner Households in White Rock (Source: Statistics Canada’s 2016 Census)

As illustrated in Figure 2, households with lower incomes tend to be more common in the rental market when compared with those having higher incomes, who represent a higher proportion of owners. Drawing on the income thresholds and data presented, staff believe there is merit in defining affordable housing on the basis of the tenure of the household, and focusing on the affordable rental supply where the need is greatest. This is partly necessary as many households in the region do not have the financial capacity to enter into the ownership market nor do they have income sufficient to cover the costs of market rental housing. Drawing on the definitions above, staff recommend the following definitions of “affordable ownership housing” and “affordable rental housing”; a definition of “shelter cost” is also included:

Affordable Ownership Housing:

- housing for which the purchase price results in annual *shelter costs* which do not exceed 30 percent of gross annual household income;

Affordable Rental Housing:

- housing for which the *shelter cost* is determined with the monthly rent component being set at 20 percent below the average market rent of a unit, by bedroom size, in the local market area.

Shelter Cost:

- in the case of ownership housing, includes the mortgage, principal, and interest (based on a 25-year amortization, 20 percent down payment and the chartered bank administered mortgage rate for a conventional 5 year mortgage as reported by the Bank of Canada at the time of application) plus property taxes, strata fees (where applicable), utilities, and internet; and
- in the case of rental housing, the gross monthly rent that includes utilities, internet and any other non-negotiable fees tied to the rental unit, unless otherwise stipulated in a senior level government program which may define shelter costs differently.

Table A in Appendix A highlights the thresholds of “affordable ownership housing”, at 30 percent and lower, relative to the gross income of the household. As it relates to “affordable rental housing”, staff recommend that affordable rental rates be defined by applying a 20 percent reduction to the average market rent of a unit, based on the number of bedrooms in that unit, as identified in the regional market area. In White Rock, CMHC provides data related to the “primary” rental market which captures purpose-built rental units. The “secondary” rental market includes units which are not provided within purpose-built rental buildings, such as secondary suites and coach homes. Table 2 below illustrates the “affordable rental housing” rates established by the draft definition. The Table also identifies the total shelter costs associated with each rental unit and the gross household income that would be needed to keep these costs within the 30 percent threshold. Generally, the definition of affordable rental housing, as presented, would support low-to-moderate income households in White Rock. Alternative policy measures would be needed to support deeper levels of affordability if desired by Council.

Rental Unit	2020 CMHC Average Rent	20% Below Average	Hydro Cost	Internet Cost	Total Annual Shelter Costs	Gross Household Income Required @ 30%	Household Income Group
Bachelor	\$946	\$757	\$100	\$80	\$11,242	\$37,435	Low Income
One-Bedroom	\$1,090	\$872	\$100	\$80	\$12,624	\$42,038	Low Income
Two-Bedroom	\$1,422	\$1,138	\$100	\$80	\$15,811	\$52,651	Moderate Income
Three-Bedroom	There are an insufficient number of 3-bedroom rental units in White Rock therefore rate data is not available from CMHC. City staff would look at the differences in the rental rates of two and three-bedroom units in nearby jurisdictions to identify the “uplift”. This could then be applied to the two-bedroom rate to estimate an applicable rate for three-bedroom units in the City.						

Next Steps

If Council were to endorse the draft definitions presented in this report staff would advance OCP amendments to introduce such into the Plan. Additional work could then be advanced to “scenario test” the defined terms so as to prepare specific land use policies which may, for example, incentivize the provision of “affordable rental housing” or, in limited circumstances, “affordable ownership housing”. In evaluating hypothetical scenarios, there may be value in retaining a consultant to support the economic / financial analysis of the “carrot” relative to the burden (e.g., subsidization of income / costs).

FINANCIAL IMPLICATIONS

Not Applicable.

LEGAL IMPLICATIONS

Not Applicable.

COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS

Any future introduction of amendments to the Official Community Plan would be subject to Council Policy 512: Official Community Plan Consultation and the legislative requirements set out in the Local Government Act. At a minimum, staff would recommend a Public Information Meeting to raise awareness of the proposed changes in addition to the required Public Hearing.

INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

Not Applicable.

CLIMATE CHANGE IMPLICATIONS

Not Applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES

Council has identified, as a “top priority”, the advancement of affordable housing policies as a component of the Official Community Plan Review in addition to the preparation of a Housing Needs Report, which will help identify areas of local housing need. The Housing Advisory Committee’s mandate acknowledges the role of the Committee in providing advice to Council regarding potential housing and affordable housing policies, tools, incentives and partnerships that support a range of housing options and affordability levels in the City of White Rock. The work presented in this report will support the priorities of Council and the mandate of the Committee.

OPTIONS / RISKS / ALTERNATIVES

The Committee may believe that alternative approaches to defining affordable housing warrant further review or that the level of affordability presented in the draft definitions is insufficient to address local housing needs. Staff would need additional time to evaluate alternatives to the definitions as presented in this report if desired by the Committee.

CONCLUSION

This report provides draft affordable housing definitions that are intended to support policies, regulations and local programs that may be used to support greater housing choice, and affordability, in the City of White Rock. The definitions recognize “affordable ownership housing” as distinct from “affordable rental housing”. Furthermore, the definitions introduce housing income thresholds which could be used by the City in advancing specific incentives that target low-to-moderate income households, being those whose needs may not otherwise be met by the private market.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg Newman", with a stylized flourish at the end.

Greg Newman, RPP, MCIP
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