

# Defining “Affordable Housing” - Options

Housing Advisory Committee, January 27, 2021

## Homework:

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To help drive the conversation regarding an approach to defining “affordable housing” in White Rock, the following two items are offered. Please consider these as you review the material below.

### Question 1:

Should thresholds be established in setting the definition of “affordable housing” such as the income of a household, the percentage of income used to cover housing costs, the size of a household, the tenure of the household, and/or the number (or percent) of households in White Rock that fall within certain income threshold levels? As it relates to this latter point, it may be worth considering that while there are fewer numbers of households in say a “very low income” bracket, such households may not be easily served by the private market, or the non-private (subsidized) market, representing a group of households that would benefit the greatest from City-led housing interventions.

### Scenario Test:

Based on a review of the information below, complete the following:

\_\_\_\_\_ households in White Rock have incomes of \_\_\_\_\_ or below, and many of these households are currently in core housing need due to spending \_\_\_\_% of their income on housing costs. Recognizing that the private market is unable to create new housing at prices (sale or rent) affordable to these groups without some form of government subsidy (e.g., grant, operating funds, etc.), the City considers that the development of housing units to serve this population should be the focus for the use of City funds and incentives to create (affordable) housing. In this instance, “affordable” housing may be that which brings the overall costs of housing below \_\_\_\_% of household income. Working with this parameter the City may define “affordable” purchase prices and rental rates on a sliding scale, being aligned with the gross income of the household.

## 1.0 Introduction:

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Council has expressed an intention to define “affordable housing” to support future decision-making activities. Factors worth considering in doing so may include the tenure of housing, the income of the household, and the unique needs or circumstance of the occupant(s) (e.g., situations resulting in homelessness, fixed income households -- seniors living on a pension, the need for mental health supports, financial assistance, or in-home care, etc.).

Housing choice is commonly recognized along a “housing continuum” (see Figure 1). Generally, local governments can intervene in supporting different segments of the housing continuum by providing financial supports to not-for-profit agencies which would serve, for the most part, non-market segments of the housing spectrum (e.g., emergency shelters, transitional housing, and social housing). As it relates to supporting “affordable rental housing” and “affordable home ownership” housing, the City could pursue policy and regulatory incentives (e.g., density bonusing, relief on parking standards, etc.) that then make it financially feasible for private sector developers to offer an “affordable” housing product, commonly being mixed with market housing.

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Housing Advisory Committee, January 27, 2021



Figure 1: Housing Continuum [Source: CMHC]

## 2.0 Background Information:

The following information provides some background which may be useful in helping to define “affordable” housing in White Rock.

### CMHC - Affordable Housing

According to the Canada Mortgage and Housing Company (CMHC) housing is considered to be affordable when a [household spends less than 30% of its pre-tax income on adequate shelter](#). Households that spend more than 30% of their income on shelter are deemed to be in **core housing need**. Those that spend 50% or more on shelter are in **severe housing need** [referred to as “**extreme core housing need**” in the Census]. Unfortunately, although most people are able to obtain housing through the private market (rental or home ownership), it isn’t adequate for everyone. [CMHC reported in 2010](#) that over 27% of Canadian households (more than 1 in 4) live in core housing need; 10.5% (about 380, 600 households) are in severe housing need.

In addition to the affordability standard of 30%, CMHC has developed standards for adequacy (the housing does not require major repairs) and suitability (the housing is sufficient in size and has enough bedrooms) when evaluating a household’s situation. The terms affordable housing and social housing are often confused. While all social housing is affordable, the term ‘**social housing**’ refers more specifically to housing that is subsidized by a level of government.

### Core Housing Need (CMHC <https://www.cmhc-schl.gc.ca/en/data-and-research/core-housing-need>)

Core housing need identifies those who may need help with their home. Core housing need is a **two-stage indicator** that helps to identify who need housing assistance. It has been used in Canada since the 1980s.

Assessing a household for core housing need involves two steps to determine if:

1. the household lives in acceptable housing
2. the before-tax income is sufficient to access acceptable local housing

Core housing need focuses on vulnerable populations. This indicator looks beyond a resident’s current situation and evaluates their potential to improve their situation. It determines if residents have **the potential to solve the situation on their own**.

Core housing need happens when:

1. major repairs are required and residents don’t have the means to move to a good unit in their community (**adequacy**)
2. there are not enough bedrooms for the residents, and they don’t have the means to move (**suitability**)
3. the current home costs more than the residents can afford, and they do not have the means to make a move or find an available affordable home in their community (**affordability**)

Core housing need assessments do not include farms, reserves or owner/renter households with incomes < 0 and shelter-cost-to-income ratios of 100% or more.

# Defining “Affordable Housing” - Options

Housing Advisory Committee, January 27, 2021

Households in Core Housing Need in White Rock (2016)		
Description	Owner 6535	Renter 3215
Below “suitability” standard	110 [2%]	145 [5%]
Below “adequacy” standard	365 [6%]	100 [3%]
Below “affordability” standard (30% + of income to shelter costs)	1290 [20%]	1315 [45%]

  

Households in Extreme Core Housing Need in White Rock (2016)		
Description	Owner 6535	Renter 3215
1 person household	160 [2.4%]	365 [12.4%]
2 person household	30 [0.5%]	90 [3.1%]
3 person household	55 [0.8%]	70 [2.4%]
4 person household	15 [0.2%]	10 [0.3%]
5 or more person household	10 [0.2%]	0 [0.0%]

*Extreme Core Housing Need is when the household spends 50% or greater of its income on shelter costs)*

## BC Housing - Affordable Rental Housing

Affordable rental housing is for people who have a low-to-moderate income but may not be eligible for subsidized housing. Affordable rental housing is housing with rents equal to, or lower than, average rates in the private-market. Our partners use [Canada Mortgage and Housing Corporation](#) data to set rates. They may also use information from local communities to set a limit for a specific location.

### Eligibility

Anyone can apply for affordable rental housing. However, housing providers may have specific requirements. For example, they may require that:

<input type="checkbox"/> You are able to live independently	<input type="checkbox"/> You meet the Canadian residency requirements
<input type="checkbox"/> You become a member and share tasks, if it's co-operative housing	<input type="checkbox"/> You have names of references
	<input type="checkbox"/> You have a source of income

## BC Housing Glossary ([Glossary](#))

### Low and Moderate Income Limits:

- For residential units with < 2 bedrooms, a gross household income that does not exceed the median income for couples without children in B.C., as determined by BC Housing from time to time. **For 2021, this figure is \$75,730.**
- For residential units with two (2) or more bedrooms, a gross household income that does not exceed the median income for families with children in B.C., as determined by BC Housing from time to time. **For 2021, this figure is \$117,080.**

### Middle Income Limits:

- For residential units with < 2 bedrooms, a gross household income that does not exceed the 75th income percentile for couples without children, as determined by BC Housing from time to time. **For 2019, this figure is \$112,410.**
- For residential units with two (2) or more bedrooms, a gross household income that does not exceed the 75th income percentile for families with children, as determined by BC Housing from time to time. **For 2019, this figure is \$155,510.**

### Middle Income Limits (*HousingHub projects only*):

- For residential units with < 2 bedrooms, a gross household income that does not exceed the 75th income percentile for couples without children in BC, as determined by BC Housing from time to time. **For 2020, this figure is \$116,330 (compared to \$112,410 last year).**
- For residential units with two (2) or more bedrooms, a gross household income that does not exceed the 75th income percentile for families with children in BC, as determined by BC Housing from time to time. **For 2020, this figure is \$163,220 (compared to \$155,510 last year).**

# Defining “Affordable Housing” - Options

Housing Advisory Committee, January 27, 2021

## 3.0 Analysis

Generally, “affordable ownership housing” may be considered that for which the household does not spend more than 30% of its gross income. **Appendix A** provides an illustration of the overall affordability of ownership housing considering household income and the following assumptions regarding the purchase:

- 20% down payment on the principal cost of the dwelling
- 25 year amortization period
- 0.35 percent interest

Note the table does not take into consideration the additional costs of strata fees, which generally range between \$200 and \$400 dollars per month.

Metro Vancouver’s 10-year Housing Plan provides helpful direction when it comes to assessing the affordability of rental housing. The Plan recognizes varying ranges of “affordability” depending on the income of the household. The Table below, taken from the MV Housing Plan, categorizes housing affordability on the basis of household income.

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

The table below applies the above-noted income thresholds to the 2016 “median income” in White Rock. The number of households (owner & renter) in each income group are also presented.

Median Household Income (2016)	\$ 62,344.00								
Average Household Income (2016)	\$ 89,992.00								
<b>METRO VANCOUVER (based on 2016 Census)</b>			<b>Low</b>	<b>High</b>			<b>2015 Income (per 2016 Census)</b>	<b>Count</b>	
Very Low Income (less than 50% of median)	\$	31,172					<b>Income (to align with Census)</b>	<b>Owner</b>	<b>Renter</b>
Low Income (50% to 80% of median)	\$	31,173	\$ 49,875				<i>to \$29,999</i>	1000	1155
Moderate Income (80% yo 120% of median)	\$	49,876	\$ 74,813				<i>\$30,000 to \$49,999</i>	1115	685
Above Moderate Income (120% to 150% of me	\$	74,814	\$ 93,516				<i>\$50,000 to \$79,999</i>	1530	685
High Income (> 150% of median)	\$	93,517					<i>\$80,000 to \$99,999</i>	790	220
							<i>\$100,000 and over</i>	2360	470
							<b>Sub-Total</b>	<b>6795</b>	<b>3215</b>
								<b>Total</b>	<b>10010</b>
<b>2015 Income (per 2016 Census)</b>			<b>% of Housing by Tenure</b>				<b>2015 Income (per 2016 Census)</b>	<b>% of Total Housing</b>	
Income (to align with Census)			Owner	Renter			Income (to align with Census)	Owner	Renter
<i>to \$29,999</i>			15%	36%			<i>to \$29,999</i>	10%	12%
<i>\$30,000 to \$49,999</i>			16%	21%			<i>\$30,000 to \$49,999</i>	11%	7%
<i>\$50,000 to \$79,999</i>			23%	21%			<i>\$50,000 to \$79,999</i>	15%	7%
<i>\$80,000 to \$99,999</i>			12%	7%			<i>\$80,000 to \$99,999</i>	8%	2%
<i>\$100,000 and over</i>			35%	15%			<i>\$100,000 and over</i>	24%	5%
<b>Total</b>			<b>100%</b>	<b>100%</b>			<b>Total</b>	<b>68%</b>	<b>32%</b>

# Defining “Affordable Housing” - Options

Housing Advisory Committee, January 27, 2021

These income thresholds have been used to evaluate the affordability of rental housing considering rental rates (ranging from \$200 to \$5,400). **Appendix B** presents the percentage of household income directed to covering the basic costs of rent; note that there are other costs (e.g., food, utilities, etc.) which may be considered part of a “basket of goods” necessary to support a minimum acceptable living conditions. These other items have not been included in evaluating the overall “affordability” of housing.

Council may wish to consider evaluating housing supports that target households within the lower income thresholds (i.e., “very low income” and “low income” households) as these households would contribute greater than 30 percent of their income in order to cover the median rent in White Rock (i.e., \$1,100 as reported by CMHC for 2019).

## 4.0 Conclusion & Discussion

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The definition of “affordable” housing generally recognizes the ability of a household to pay for its housing costs without having the amount of such costs exceed 30 percent of gross income. While the private market will continue to offer a product that serves to generate a reasonable return on investment, a number of households in the White Rock community will not be able to afford the cost of such (market) housing without contributing more than 30 percent of their gross income. This, from the research undertaken, suggests that there is a need for intervention in the market to help level the playing field for households whose needs will not be met by the private market.

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### Scenario Test:

Based on a review of the information below, complete the following:

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Housing Advisory Committee, January 27, 2021

## Appendix A – Income to Shelter Costs – Ownership Housing

	Purchase Price	Down Payment (assume 20%)	Principal	PMT (/ mo.) (assume 25 yr term & 0.35 interest)	Annual Housing Cost	Household Income												
						20,000	35,000	50,000	65,000	80,000	95,000	110,000	125,000	140,000	155,000	170,000	185,000	200,000
	\$ 1,500,000	\$ 300,000.0	\$ 1,200,000	\$ 5,990	\$ 71,880	359%	205%	144%	111%	90%	76%	65%	58%	51%	46%	42%	39%	36%
	\$ 1,450,000	\$ 290,000.0	\$ 1,160,000	\$ 5,790	\$ 69,484	347%	199%	139%	107%	87%	73%	63%	56%	50%	45%	41%	38%	35%
	\$ 1,400,000	\$ 280,000.0	\$ 1,120,000	\$ 5,591	\$ 67,088	335%	192%	134%	103%	84%	71%	61%	54%	48%	43%	39%	36%	34%
	\$ 1,350,000	\$ 270,000.0	\$ 1,080,000	\$ 5,391	\$ 64,692	323%	185%	129%	100%	81%	68%	59%	52%	46%	42%	38%	35%	32%
	\$ 1,300,000	\$ 260,000.0	\$ 1,040,000	\$ 5,191	\$ 62,296	311%	178%	125%	96%	78%	66%	57%	50%	44%	40%	37%	34%	31%
	\$ 1,250,000	\$ 250,000.0	\$ 1,000,000	\$ 4,992	\$ 59,900	300%	171%	120%	92%	75%	63%	54%	48%	43%	39%	35%	32%	30%
	\$ 1,200,000	\$ 240,000.0	\$ 960,000	\$ 4,792	\$ 57,504	288%	164%	115%	88%	72%	61%	52%	46%	41%	37%	34%	31%	29%
	\$ 1,150,000	\$ 230,000.0	\$ 920,000	\$ 4,592	\$ 55,108	276%	157%	110%	85%	69%	58%	50%	44%	39%	36%	32%	30%	28%
	\$ 1,100,000	\$ 220,000.0	\$ 880,000	\$ 4,393	\$ 52,712	264%	151%	105%	81%	66%	55%	48%	42%	38%	34%	31%	28%	26%
	\$ 1,050,000	\$ 210,000.0	\$ 840,000	\$ 4,193	\$ 50,316	252%	144%	101%	77%	63%	53%	46%	40%	36%	32%	30%	27%	25%
	\$ 1,000,000	\$ 200,000.0	\$ 800,000	\$ 3,993	\$ 47,920	240%	137%	96%	74%	60%	50%	44%	38%	34%	31%	28%	26%	24%
	\$ 950,000	\$ 190,000.0	\$ 760,000	\$ 3,794	\$ 45,524	228%	130%	91%	70%	57%	48%	41%	36%	33%	29%	27%	25%	23%
	\$ 900,000	\$ 180,000.0	\$ 720,000	\$ 3,594	\$ 43,128	216%	123%	86%	66%	54%	45%	39%	35%	31%	28%	25%	23%	22%
	\$ 850,000	\$ 170,000.0	\$ 680,000	\$ 3,394	\$ 40,732	204%	116%	81%	63%	51%	43%	37%	33%	29%	26%	24%	22%	20%
	\$ 800,000	\$ 160,000.0	\$ 640,000	\$ 3,195	\$ 38,336	192%	110%	77%	59%	48%	40%	35%	31%	27%	25%	23%	21%	19%
	\$ 750,000	\$ 150,000.0	\$ 600,000	\$ 2,995	\$ 35,940	180%	103%	72%	55%	45%	38%	33%	29%	26%	23%	21%	19%	18%
	\$ 700,000	\$ 140,000.0	\$ 560,000	\$ 2,795	\$ 33,544	168%	96%	67%	52%	42%	35%	30%	27%	24%	22%	20%	18%	17%
	\$ 650,000	\$ 130,000.0	\$ 520,000	\$ 2,596	\$ 31,148	156%	89%	62%	48%	39%	33%	28%	25%	22%	20%	18%	17%	16%
	\$ 600,000	\$ 120,000.0	\$ 480,000	\$ 2,396	\$ 28,752	144%	82%	58%	44%	36%	30%	26%	23%	21%	19%	17%	16%	14%
	\$ 550,000	\$ 110,000.0	\$ 440,000	\$ 2,196	\$ 26,356	132%	75%	53%	41%	33%	28%	24%	21%	19%	17%	16%	14%	13%
	\$ 500,000	\$ 100,000.0	\$ 400,000	\$ 1,997	\$ 23,960	120%	68%	48%	37%	30%	25%	22%	19%	17%	15%	14%	13%	12%
	\$ 450,000	\$ 90,000.0	\$ 360,000	\$ 1,797	\$ 21,564	108%	62%	43%	33%	27%	23%	20%	17%	15%	14%	13%	12%	11%
	\$ 400,000	\$ 80,000.0	\$ 320,000	\$ 1,597	\$ 19,168	96%	55%	38%	29%	24%	20%	17%	15%	14%	12%	11%	10%	10%
	\$ 350,000	\$ 70,000.0	\$ 280,000	\$ 1,398	\$ 16,772	84%	48%	34%	26%	21%	18%	15%	13%	12%	11%	10%	9%	8%
	\$ 300,000	\$ 60,000.0	\$ 240,000	\$ 1,198	\$ 14,376	72%	41%	29%	22%	18%	15%	13%	12%	10%	9%	8%	8%	7%
	\$ 250,000	\$ 50,000.0	\$ 200,000	\$ 998	\$ 11,980	60%	34%	24%	18%	15%	13%	11%	10%	9%	8%	7%	6%	6%
	\$ 200,000	\$ 40,000.0	\$ 160,000	\$ 799	\$ 9,584	48%	27%	19%	15%	12%	10%	9%	8%	7%	6%	6%	5%	5%
	Median Household Income (2016) = \$62,344			Median Household Value (2016) = \$600,196														
	Average Household Income (2016) = \$89,992			Average Household Value (2016) = \$861,236														



# Defining “Affordable Housing” - Options

Housing Advisory Committee, January 27, 2021

## Appendix B – Income to Shelter Costs – Rental Housing

					Household Income [% of rental stock in White Rock]																	
					Very Low Income [36%]						Low Income [21%]			Moderate Income [21%]			Above Moderate Income [7%]		High Income [15%]			
Monthly Rent	Food	Utilities (heat & elec.)	Other	Annual Housing Costs	5,000	10,000	15,000	20,000	25,000	30,000	35,000	40,000	45,000	50,000	60,000	70,000	80,000	90,000	100,000	125,000	150,000	200,000
\$ 5,400				\$ 64,800	1296%	648%	432%	324%	259%	216%	185%	162%	144%	130%	108%	93%	81%	72%	65%	52%	43%	32%
\$ 5,200				\$ 62,400	1248%	624%	416%	312%	250%	208%	178%	156%	139%	125%	104%	89%	78%	69%	62%	50%	42%	31%
\$ 5,000				\$ 60,000	1200%	600%	400%	300%	240%	200%	171%	150%	133%	120%	100%	86%	75%	67%	60%	48%	40%	30%
\$ 4,800				\$ 57,600	1152%	576%	384%	288%	230%	192%	165%	144%	128%	115%	96%	82%	72%	64%	58%	46%	38%	29%
\$ 4,600				\$ 55,200	1104%	552%	368%	276%	221%	184%	158%	138%	123%	110%	92%	79%	69%	61%	55%	44%	37%	28%
\$ 4,400				\$ 52,800	1056%	528%	352%	264%	211%	176%	151%	132%	117%	106%	88%	75%	66%	59%	53%	42%	35%	26%
\$ 4,200				\$ 50,400	1008%	504%	336%	252%	202%	168%	144%	126%	112%	101%	84%	72%	63%	56%	50%	40%	34%	25%
\$ 4,000				\$ 48,000	960%	480%	320%	240%	192%	160%	137%	120%	107%	96%	80%	69%	60%	53%	48%	38%	32%	24%
\$ 3,800				\$ 45,600	912%	456%	304%	228%	182%	152%	130%	114%	101%	91%	76%	65%	57%	51%	46%	36%	30%	23%
\$ 3,600				\$ 43,200	864%	432%	288%	216%	173%	144%	123%	108%	96%	86%	72%	62%	54%	48%	43%	35%	29%	22%
\$ 3,400				\$ 40,800	816%	408%	272%	204%	163%	136%	117%	102%	91%	82%	68%	58%	51%	45%	41%	33%	27%	20%
\$ 3,200				\$ 38,400	768%	384%	256%	192%	154%	128%	110%	96%	85%	77%	64%	55%	48%	43%	38%	31%	26%	19%
\$ 3,000				\$ 36,000	720%	360%	240%	180%	144%	120%	103%	90%	80%	72%	60%	51%	45%	40%	36%	29%	24%	18%
\$ 2,800				\$ 33,600	672%	336%	224%	168%	134%	112%	96%	84%	75%	67%	56%	48%	42%	37%	34%	27%	22%	17%
\$ 2,600				\$ 31,200	624%	312%	208%	156%	125%	104%	89%	78%	69%	62%	52%	45%	39%	35%	31%	25%	21%	16%
\$ 2,400				\$ 28,800	576%	288%	192%	144%	115%	96%	82%	72%	64%	58%	48%	41%	36%	32%	29%	23%	19%	14%
\$ 2,200				\$ 26,400	528%	264%	176%	132%	106%	88%	75%	66%	59%	53%	44%	38%	33%	29%	26%	21%	18%	13%
\$ 2,000				\$ 24,000	480%	240%	160%	120%	96%	80%	69%	60%	53%	48%	40%	34%	30%	27%	24%	19%	16%	12%
\$ 1,800				\$ 21,600	432%	216%	144%	108%	86%	72%	62%	54%	48%	43%	36%	31%	27%	24%	22%	17%	14%	11%
\$ 1,600				\$ 19,200	384%	192%	128%	96%	77%	64%	55%	48%	43%	38%	32%	27%	24%	21%	19%	15%	13%	10%
\$ 1,400				\$ 16,800	336%	168%	112%	84%	67%	56%	48%	42%	37%	34%	28%	24%	21%	19%	17%	13%	11%	8%
\$ 1,200				\$ 14,400	288%	144%	96%	72%	58%	48%	41%	36%	32%	29%	24%	21%	18%	16%	14%	12%	10%	7%
\$ 1,000				\$ 12,000	240%	120%	80%	60%	48%	40%	34%	30%	27%	24%	20%	17%	15%	13%	12%	10%	8%	6%
\$ 800				\$ 9,600	192%	96%	64%	48%	38%	32%	27%	24%	21%	19%	16%	14%	12%	11%	10%	8%	6%	5%
\$ 600				\$ 7,200	144%	72%	48%	36%	29%	24%	21%	18%	16%	14%	12%	10%	9%	8%	7%	6%	5%	4%
\$ 400				\$ 4,800	96%	48%	32%	24%	19%	16%	14%	12%	11%	10%	8%	7%	6%	5%	5%	4%	3%	2%
\$ 200				\$ 2,400	48%	24%	16%	12%	10%	8%	7%	6%	5%	5%	4%	3%	3%	3%	2%	2%	2%	1%
2019 CMHC Median Rent	\$1,100																					