



City of Richmond

Report to Committee

To: Planning Committee
From: Cathryn Volkering Carlile
 General Manager - Community Services
Re: **Affordable Housing Strategy: 2010 Annual Review of Income Thresholds and Affordable Rent Rates**

Date: September 28, 2010
File: 08-4057-05/2010

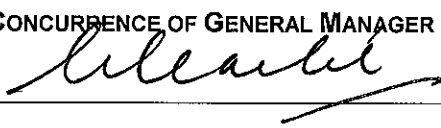

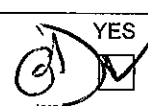
Staff Recommendation

That amendments to the Richmond Affordable Housing Strategy as outlined in Attachment 3 of the report dated September 15, 2010 from the General Manager of Community Services entitled "Affordable Housing Strategy: 2010 Annual Review of Income Thresholds and Affordable Rent Rates", be approved as an Addendum to the current Richmond Affordable Housing Strategy.



Cathryn Volkering Carlile
 General Manager - Community Services
 (604-276-4068)

Att. 3

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ROUTED TO: Budgets Development Applications Policy Planning Law	CONCURRENCE		CONCURRENCE OF GENERAL MANAGER 
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Staff Report

Origin

On June 8, 2009, Council adopted the recommendations from the report entitled "Affordable Housing Strategy: Implementation Review and Housing Agreement Revisions", to include provisions for staff to periodically review the income thresholds and rent rates specified in the City's housing agreement to reflect current market and affordability trend data released from Canada Mortgage and Housing Corporation (CMHC) and Statistics Canada.

In accordance with the adopted recommendation, staff completed the 2010 periodic review of income thresholds and rent rates based on the methods outlined in the Affordable Housing Strategy. This report:

- 1) Presents the conclusions and recommendations from the review. In particular, it examines if the City's income thresholds and rent rates maintain housing affordability, while supporting sustainable affordable housing development, and
- 2) Assesses whether the City of Richmond's values and calculation methods are consistent with those of Senior government and other affordable housing providers throughout the Metro Vancouver region.

The report supports the following Council term goal:

Improve the efficiency of the delivery of social services in the City through the development and implementation of a Social and Community Services Strategy that includes...increased social housing, implementation of a campus of care concept and an emergency shelter for women...

Background

Providing rental housing options to meet the income requirements for low to moderate income families remains an Affordable Housing Strategy priority for the City of Richmond. The 2006 Census estimated that 10,470 renter households or 63 percent of all Richmond renters earn less than \$59,999 and are therefore low to moderate income households.

Affordable rent and associated shelter costs should not exceed 30 percent of a household's combined income. Housing affordability compares housing costs to a household's ability to meet those costs (i.e. utilities, rent, mortgage, and maintenance fees (Attachment 1).

Currently, the City sets maximum income and rent levels for low end market rental units that are calculated to meet affordability requirements outlined in the Affordable Housing Strategy. The current rates are set at a level below market rates to maintain affordability for low to moderate income households that are below market rates.

A primary focus of the rent and income review is to ensure that shelter costs remain affordable for low to moderate income renter households. However, there have been concerns expressed that the current levels are too low to support the associated costs required to operate the affordable housing units.

The primary focus of the periodic review is to establish rates to maintain housing affordability for low to moderate households. However, a critical measure to ensure affordability is to increase the

number of affordable housing options that are available to support those in core housing need. Balancing these two priorities is critical.

As the number of available units increase, the pressure on the housing market will lessen. In order to stimulate the development of affordable housing and to meet the targets established in the Affordable Housing Strategy, realistic measures are required that support affordability and development.

The purpose of this report is to ensure that the City's rent and income review methods reflect current income and housing data, while maintaining affordability for low to moderate households and acknowledging the economic requirements of affordable housing delivery.

Analysis

In establishing income and rent rate limits in the City's housing agreement, a balance must be struck between maintaining housing affordability for low to moderate income households, and ensuring rates support the participation of key stakeholders in the development of affordable housing.

Currently, through the Affordable Housing Strategy, the City sets maximum income and rent levels for low end market rental units. The units are negotiated and secured by a Housing Agreement to ensure affordability by individual unit type.

It is important to adopt an approach that addresses housing affordability while balancing the benefits and costs of:

- Securing affordable housing stock to support the health, well-being and livelihoods of residents in our city,
- Recognizing the economic value provided to developers through the City's density bonusing provisions in exchange for affordable housing units, and
- Acknowledging the economic considerations related to the development of affordable housing.

Some developers and BC Housing have expressed concern that current City rates may not economically sustain the delivery and management of the affordable housing units within developments. The challenge is to ensure that rates are at a level which continues to attract new affordable housing development while also being appropriate to meet the affordability needs of low to moderate income households.

In addition, affordable rates may be impacted by externalities that are beyond the scope and application of the Affordable Housing Strategy such as limited financial and senior government frameworks to fund and support the development and operation of affordable housing.

With these considerations in mind, the following analysis examines three options for adjusting the maximum income and rent for low end of market rental units:

- Option 1. Applying the existing annual update approach;
- Option 2. Utilizing Core Need Income Threshold data released by CMHC and BC Housing;
- Option 3. Harmonizing values with regional requirements.

Option 1: Apply the Existing Annual Update Approach (not recommended)

Option 1 provides calculations based on the current approved methodology outlined in Addendum No. 1 of the Richmond Affordable Housing Strategy as approved by Council on June 8, 2009.

The City's current income and rent rates require adjustment to account for current Canada Mortgage Housing Corporation Core Need Income Threshold and Consumer Price Index rates. Further, the Core Need Income Threshold (CNIT) and Consumer Price Index (CPI) rates reflect a slight increase from 2009 rates. The increased values have been applied to reflect the 2010 proposed income and rent rates.

Step 1: Calculating Income Threshold Limits

CNIT values are determined by CMHC market and affordability trend data to represent the income required to pay the average market rent for an appropriate sized unit in the private market. Staff have completed an income threshold and rent rate review utilizing the approved methodology outlined in the Affordable Housing Strategy. The income threshold calculation is based on the approved methodology and current 2010 CNIT data (Attachment 2).

Step 2: Calculating Affordable Rent Rates

The Affordable Housing Strategy rent review requirements stipulate that the adjusted value of CPI + 2 percent be applied to limit the impact of CPI increases on the ability of lower income households to pay for shelter costs. Consumer Price Index (CPI) values for 2010 have been utilized to determine the rate of change (Attachment 2).

Table 1 compares the 2009 existing rates to the 2010 revised rates to determine the amount of adjustment required based on the calculation methods approved in the Strategy.

Table 1: Comparison of Existing and Potential Affordable Rent Income Thresholds

Suite Type	Existing City Rates		Potential City Rates		Amount of Increase	
	Income	Rent	Income	Rent	Income	Rent
Bachelor	\$26,000	\$580	\$ 28,000	\$656	\$2,000	\$76
1-Bedroom	\$30,500	\$650	\$ 33,000	\$724	\$2,500	\$74
2-Bedroom	\$36,000	\$770	\$ 40,000	\$871	\$4,000	\$101
3-Bedroom	\$42,000	\$930	\$ 46,000	\$1,035	\$4,000	\$105

The advantages and disadvantages of Option 1, include:

Advantages:

- The 2010 potential rates have been determined with the approved calculation methods outlined in the Richmond Affordable Housing Strategy, and
- The 2010 potential rates ensure a surplus income-to-rent ratio (shelter costs that do not exceed 30 percent of household income) for all unit types.

Disadvantages:

- The calculation methods are not consistent with those implemented by senior government and other affordable housing providers in the region,

- The existing and potential values are well below limits and rent rates set forth by senior government and affordable housing programs throughout our region,
- The increase in rates may impact the ability for lower income households to maintain housing affordability, and
- Lower income households may require rental subsidies to offset increased shelter costs.
- The current and potential rate levels may be too low to support the debt servicing and operational requirements for projects to be viable.

In summary, the 2010 potential rates do reflect an increase over the existing rates, but still maintain rent rates that do not exceed 30 percent of income by unit type. However, even with the calculated increase, the potential rates may not meet the project economic requirements for the feasible development and operation of affordable housing.

Option 2: Utilizing Core Need Income Threshold Data Released by CMHC and BC Housing (Recommended)

BC Housing utilizes CNIT values to determine income eligibility for affordable housing programs in several municipalities throughout our region and province. Further, BC Housing offers affordable housing programs with rent geared to income in order to calculate income eligibility and affordable rent based on 30 percent of a household's gross income. In addition, BC Housing applies methods to increase equity and achieve affordability for households with incomes below the maximum limit for each unit type.

The values applied by BC Housing are higher than the City's current values. However, the CNIT levels represent the most income people can earn and remain eligible for a rent subsidy without paying over 30 percent of their income on shelter.

Renters, who meet BC Housing income eligibility criteria, may apply to receive rent supplements to offset shelter costs to ensure affordability. Subsidies are administered directly to tenants and can be utilized to secure private rental market housing. Subsidies are portable to provide low income tenants more choice and flexibility in affordable housing options. This provides an equity measure for tenants to access housing in the community of their choice.

The calculation methods presented in Table 2 align with BC Housing affordability requirements and Housing Income Limits. Rents are calculated at 30 percent of the CNIT levels to determine maximum affordable rents and are compared to the City's existing rates.

Table 2: Maximum Core Need Income Threshold Values and Rent Rates

Suite Type	Existing City Rates		Option 2 Calculated Rates		Amount of Increase	
	Income	Rent	Income	Rent	Income	Rent
Bachelor	\$26,000	\$580	\$ 31,500	\$788	\$5,500	\$208
1-Bedroom	\$30,500	\$650	\$ 35,000	\$875	\$4,500	\$225
2-Bedroom	\$36,000	\$770	\$ 42,500	\$1,063	\$6,500	\$293
3-Bedroom	\$42,000	\$930	\$ 51,000	\$1,275	\$9,000	\$345

The advantages and disadvantages of option 2, include:

Advantages:

- The CNIT levels are determined by the CMHC annual rental market survey,

- The calculation method provides a consistent approach to align values with senior government requirements and other affordable housing providers in the region,
- Consistent rates provide increased efficiency in administering the portability of rent subsidies for low income tenants to obtain housing that is close to education and employment opportunities, amenities, services, and supports,
- The calculated values in option 2 ensure a surplus income-to-rent ratio (shelter costs that do not exceed 30 percent of household income) for all unit types,
- The values support the economic requirements for stakeholder participation by senior government and private developers to successfully contribute to the development of affordable housing in our city, and
- Increases administration efficiency for the City and affordable housing providers of the affordable units secured through the Strategy.

Disadvantages:

- Option 2 reflects an increase from existing City income levels and rent rates, and
- Affordability challenges may increase for lower income households.

In summary, Option 2 does reflect an increase from the existing city rates and provides a method that maintains affordability for household's with incomes below \$51,000, and supports the economic considerations of feasible affordable housing development. This option does generate a consistent and transparent method of rate determination that aligns with affordability requirements administered by senior government and other affordable housing providers in the region.

Option 3: Harmonizing Values with Regional Requirements (Not Recommended)

On April 23, 2010, Metro Vancouver adopted the Greater Vancouver Sewerage and Drainage District Development Cost Charge Bylaw No. 254, 2010, to waive or refund regional development cost charges (DCCs) for affordable housing. The Bylaw establishes rents at 80% of market rent rates. Further, the Bylaw distributes income levels by unit type on a scale between 50% and 80% of the median household income for the region or local municipality, whichever is lower.

Metro Vancouver Housing Corporation (MVHC) utilizes a similar method to calculate income and rent values. MVHC owns and operates 55 affordable housing complexes in 11 municipalities to provide affordable housing for over 10,000 people in low and middle-income households.

Table 3 reflects the income thresholds and rent rates based on CMHC market rent data and Richmond's median income of \$53,489. The table also provides a comparison between the Metro Vancouver requirements and the City's existing rates.

Table 3: Income Threshold and Rent Rates Based on Richmond Median Income

Suite Type	Existing Rates		Option 3 Calculated Rates		Amount of Increase	
	Income	Rent	Income	Rent	Income	Rent
Based on % of Median						
Bachelor (50%)	\$26,000	\$580	\$27,000	\$669	\$1,000	\$89
1-Bedroom (60%)	\$30,500	\$650	\$32,000	\$802	\$1,500	\$152
2-Bedroom (70%)	\$36,000	\$770	\$37,000	\$936	\$1,000	\$166
3-Bedroom (80%)	\$42,000	\$930	\$43,000	\$1,070	\$1,000	\$140

Source: Statistics Canada, 2006

The advantages and disadvantages of Option 3, include:

Advantages:

- Calculations align with the Metro Vancouver DCC bylaw requirements,
- The income levels and rent rates secure affordability based on Richmond's median income, and,
- The calculated values ensure a surplus income-to-rent ratio (shelter costs that do not exceed 30 percent of household income) for all unit types.

Disadvantages:

- Option 3 reflects an increase from existing City income levels and rent rates, and
- Calculations are based on Census data that is released every 5 years, whereas, CNIT levels are generated annually, and
- This methodology is not consistently applied throughout the province by senior government and affordable housing program providers.

Our analysis has taken into consideration the affordability challenges that some tenants may encounter with a rate increase. Currently, the City does not offer rent subsidies to low income households. Households with incomes between \$20,000 and \$37,000 are eligible for subsidized housing. Eligible households in this income range may also apply for BC Housing rent subsidies to offset shelter costs to access low end market rental options. In addition, non profit housing providers may adjust rents for households with incomes that are below the maximum income limits to achieve affordability.

Meeting the housing affordability needs of household with incomes below \$20,000 is a Strategy priority. Further, households with very low incomes may not have enough money to pay rent in the private market. These households often benefit from being supported by subsidized housing programs that offer low rents and subsidies.

Subsidized housing is challenging to develop, due to the high-debt service costs required for its construction and operation. Notwithstanding the challenges, a partnership approach which combines City resources, senior government funding, and community-based partnerships may represent a viable model to facilitate the construction and operation of such housing.

Currently, the City is addressing this concern through the facilitation of an Expression of Interest process to develop affordable housing on City-owned property with priority given to subsidized housing to meet the needs of low income households. The values calculated in Option 2 provide an economic stimulus for stakeholder investment in the development of affordable housing on City-owned property and in private developments, by addressing the economic conditions required for the successful and feasible operation of affordable housing.

Adversely, concerns have been expressed that increasing income limits and rent rates will provide affordable housing options for households that can access housing options in the private market. Arguably, a household earning \$51,000 can afford \$1,275 per month in shelter costs. However, this is still below the 2009 CMHC reported market rent average of \$1,298 for a 3-bedroom unit in Richmond and the 1-bedroom rate of \$875 is well below market for a household earning \$35,000.

Although, Options 1-3 apply different methods, Table 4 reveals that all three approaches secure affordable rent and income threshold levels when applied to the context of Richmond's demographic, income, and affordability profile.

Table 4: Comparison of Maximum Rent and Income Levels

Rent/Income Per Unit Type	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Option 1: Richmond Affordable Housing Strategy 2010 Potential Rates	\$656/\$28,000	\$724/\$33,000	\$871/\$40,000	\$1,035/\$46,000
<i>Percentage of Income</i>	28%	26%	26%	27%
Option 2: CNIT Level Calculations	\$788/\$31,500	\$875/\$35,000	\$1,063/\$42,500	\$1,275/\$51,000
<i>Percentage of Income</i>	30%	30%	30%	30%
Option 3: Harmonizing Values with Regional Requirments	\$669/\$26,745	\$802/\$32,093	\$936/\$37,442	\$1,070/\$42,791
<i>Percentage of Income</i>	30%	30%	30%	30%

When comparing the affordability criteria and calculation methods utilized by BC Housing and Metro Vancouver Housing Corporation with the Affordable Housing Strategy values, staff conclude that the City's existing and potential rates are significantly lower; increasing the rent rates addresses the concerns expressed by developers and BC Housing that the City's rates are too low to effectively meet the operating and maintenance costs associated with the provision of affordable rental units, and they may be further impacted by limited provincial and federal funding for capital and operating expenses incurred by affordable housing providers.

With consideration to the advantages and disadvantages of the three options presented in this report, staff recommend that Option 2 be approved, as it:

- Supports both the affordability and affordable housing supply priorities outlined in the Richmond Affordable Housing Strategy,
- Maintains affordability for low to moderate income households,
- Accounts for current income and housing market data.
- Aligns with senior government requirements, and
- Supports the implementation of consistent values to be applied by affordable housing providers, developers, and funding agents.

Overall, Option 2 achieves realistic and consistent measures to secure affordability. Further, this approach will support the necessary economic requirements to engage stakeholder investment and participation in the development of affordable housing. Thus, the approach should facilitate an increased number and variety of affordable housing options, thereby benefiting prospective renters and the overall community.

Staff will adjust the annual income threshold and maximum permitted rent for affordable housing once every calendar year. The effective date for this adjustment will be applied to all housing agreements brought forward after the date of Council approval.

Financial Impact

The proposed change will have no direct financial impact on the City. The financial responsibility of the operation and management is that of the property owner or designated third

party, who has entered into a legal agreement with the owner to purchase and/or operate the affordable units within the development.

Conclusion and Proposed Next Steps

Responding to the desired improvement of the City's housing affordability profile is key in supporting the goals and purpose of the Affordable Housing Strategy, while stimulating an adequate supply of accessible, affordable rental housing options for low to moderate income households.

As the negotiated units are developed and occupied, the income and rent value adjustment will be monitored and evaluated, with respect to:

- The impact of the rate adjustment on the ability of low income families to access affordable units within private developments,
- The project economic requirements to support viable affordable housing development, and
- The funding required to support housing development for households with incomes below \$20,000.

With these considerations in mind, it is recommended that the 2010 proposed rates as presented in Attachment 3 be approved by way of an Addendum to the Affordable Housing Strategy.



Dena Kae Beno
Affordable Housing Coordinator
(604-247-4946)

Affordable Rent Rate Schedule

Affordable rent and associated shelter costs should not exceed 30 percent of a household's combined income. Housing affordability compares housing costs to a household's ability to meet those costs. The Shelter Cost-to-Income Ratio (STIR) measures affordability by comparing before-tax income to shelter costs that may include utilities, rent, mortgage, and maintenance fees.

Table 5 Affordable Rent Rates

Household Income	Rental Housing Rates (30%)	
\$0-\$9,999	\$ 0	\$ 250.00
\$10,000-\$14,999	\$ 250	\$ 375.00
\$15,000-\$19,999	\$ 375	\$ 500.00
\$20,000-\$24,999	\$ 500	\$ 625.00
\$25,000-\$29,999	\$ 625	\$ 750.00
\$30,000-\$34,999	\$ 750	\$ 875.00
\$35,000-\$39,999	\$ 875	\$ 1,000.00
\$40,000-\$49,999	\$ 1,000	\$ 1,250.00
\$50,000-\$59,999	\$ 1,250	\$ 1,500.00
\$60,000-\$69,999	\$ 1,500	\$ 1,750.00

Current City Affordable Housing Strategy Methodology (i.e. Option 1)**Table 6: Proposed Richmond Affordable Housing Strategy 2010 Income Threshold Values**

1	2	3	4	5	6	7
Unit Size	2010 CNIT Income	2006 CNIT Income	Rate of Change	RAHS 2009 Rate	Calculated Rate CNIT Values	2010 Proposed RAHS Income Thresholds
Bachelor	\$31,500	\$29,000	1.086207	\$26,000	28241.3793	\$28,000
1 Bedroom	\$35,000	\$32,500	1.076923	\$30,500	32846.1538	\$33,000
2 Bedroom	\$42,500	\$38,500	1.103896	\$36,000	39740.2597	\$40,000
3 Bedroom	\$51,000	\$46,500	1.096774	\$42,000	46064.5161	\$46,000

Column 1: Reflects the Unit Sizes that are referenced in the Richmond Affordable Housing Strategy

Column 2: Reflects the 2010 CNIT income thresholds (Source: www.bchousing.org- income requirements, 25/03/10)

Column 3: Reflects 2006 CNIT data referenced in May 1, 2009, Report to Committee (REDMS 2604285)

Column 4: Represents the Rate of Change from 2006 CNIT to 2010 CNIT rates

Column 5: Reflects Richmond Affordable Housing Strategy Revised Income Threshold Amounts per 2010 CNIT Rates

Column 6: Reflects 2010 Proposed Increased Income Thresholds based on Rate of Change of CNIT- 20% decrease

Column 7: Reflects the Proposed 2010 Income Thresholds per the Calculation based on 2010 CNIT values per unit type.

Table 7: Proposed 2010 Rental Rate Calculations Based on CPI Rates

1	2	3	4	5	6	7	8	9
Unit Size	2009 RAHS approved rent Increase	2009 CPI Rate- Shelter	2010 CPI Rate- Shelter	Rate of Change	CPI + 2%	Adjusted Rate (as Per RAHS reqs.)	Calculated Rents w/ CPI adj.	2010 Proposed Rent Amounts
Bachelor	\$580	112.3	111.7	-0.6	1.4	113.1	655.98	\$ 656
1 Bedroom	\$650	112.3	111.7	-0.6	1.4	113.1	723.52	\$ 724
2 Bedroom	\$770	112.3	111.7	-0.6	1.4	113.1	870.87	\$871
3 Bedroom	\$930	112.3	111.7	-0.6	1.4	113.1	1035.18	\$1,035

Column 1: Reflects the Unit Sizes that are referenced in the Richmond Affordable Housing Strategy

Column 2: Represents the approved Richmond Affordable Housing Strategy Rent Rates (May 1, 2009, Report to Committee (REDMS 2604285)

Column 3: Reflects 2009 CPI Rate for Shelter Costs in British Columbia (Source: www.statcan.gc.ca- British Columbia)

Column 4: Reflects 2010 CPI Rate for Shelter Costs in British Columbia (Source: www.statcan.gc.ca- British Columbia)

Column 5: Reflects a -0.6 CPI Rate of Change from 2009 to 2010

Column 6: Adjusted Rate of CPI +2% (As approved by RAHS May 1, 2009, Report to Committee, amended review of rental rates).

Column 7: Adjusted CPI rate to reflect + 2% as per RAHS May 1, 2009, Report to Committee.

Column 8: Calculation of rents to reflect CPI rate of increase as per RAHS May 1, 2009, Report to Committee.

Column 9: Reflects the 2010 Proposed Rent Amounts

Column 10: Represents the comparative dollar increase of 2009 rents to 2010 proposed rent rates.

Richmond Affordable Housing Strategy
Addendum No. 1
(Date Council Approved)

That the Richmond Affordable Housing Strategy, approved by Council, on May 28, 2007, be amended as follows:

1. Annual Income Thresholds

The annual income thresholds as shown on Table 1 be used to determine who qualifies for affordable housing and be included in the housing agreement used to secure the use and occupancy of the affordable housing units.

2. Maximum Permitted Rents

The maximum permitted rent as shown on Table 1 be used to determine the permitted rent originally used for affordable housing and be included in the housing agreement used to secure the use and occupancy of the affordable housing units.

3. Future Adjustments to Annual Income Thresholds and Maximum Permitted Rents

Staff adjust the annual income threshold and maximum permitted rent for affordable housing shown in Table 1, once every calendar year based on the following data sources and use the adjusted information in any housing agreements brought forward after the date of adjustment and advise Council accordingly:

Primary Data Source: staff analysis of updated Core Need Income Threshold (CNIT) and/or other applicable data produced by the Canada Mortgage and Housing Corporation (CMHC) in years when it is released.

Table 1: 2010 Annual Income Threshold and Maximum Permitted Rents for Affordable Housing

Annual Income Thresholds (2010)	
Affordable Subsidized Rental Housing	Households with an annual income of less than \$31,500
Affordable Low End Market Rental Housing	Households with an annual income of between \$31,500 and \$51,000
Affordable Entry Level Ownership Housing	Households with an annual income of less than \$60,000
Maximum Permitted Rents (2010)	
Bachelor Unit	\$788 a month (e.g. for eligible tenant having an annual income threshold of \$31,500 or less)
One-Bedroom Unit	\$875 a month (e.g. for eligible tenant having an annual income threshold of \$35,000 or less)
Two-Bedroom Unit	\$1,063 a month (e.g. for eligible tenant having an annual income threshold of \$42,500 or less)
Three-Bedroom Unit	\$1,275 a month (e.g. for eligible tenant having an annual income threshold of \$51,000 or less)