



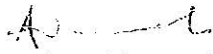
To: Planning Committee Date: January 29, 2008  
 From: Andrew Nazareth File: 06-2270-01/2008-Vol 01  
 General Manager, Business & Financial Services  
 Re: **Housing Agreement Amendment: Income Thresholds**

**Staff Recommendation**


That clause Part I (o) of the template Housing Agreement for the Affordable Housing Strategy be removed and replaced with the following:

Part I (o): Original Rent

- i) \$500.00 a month for a bachelor suite (e.g., for eligible tenant having an annual income of \$23,000 or less);
- ii) \$625.00 a month for a one bedroom suite (e.g., for eligible tenant having an annual income of \$28,000 or less);
- iii) \$750.00 a month for a two bedroom suite (e.g., for eligible tenant having an annual income of \$33,000 or less);
- iv) \$943.00 a month for a three bedroom suite (e.g., for eligible tenant having an annual income of \$37,700 or less)

  
 Andrew Nazareth  
 General Manager  
 Business & Financial Services Department  
 (4095)

Att: 1

FOR ORIGINATING DEPARTMENT USE ONLY					
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>		<b>CONCURRENCE OF GENERAL MANAGER</b>		
Policy Planning .....	Y <input checked="" type="checkbox"/>	N <input type="checkbox"/>			
<b>REVIEWED BY TAG</b>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	<b>REVIEWED BY CAO</b>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

## Staff Report

### Origin

On May 28, 2007, Council approved the Richmond Affordable Housing Strategy. A template Housing Agreement accompanied the Affordable Housing Strategy, with Part I (o) of the Housing Agreement establishing income thresholds and rental rates by unit type, as shown on Attachment 1. A recent detailed affordability analysis of the income thresholds indicated that certain current thresholds were unachievable. The purpose of this report is to revise the Housing Agreement to create more appropriate income thresholds.

### Analysis

The rent geared to income (RGI) ratio is a widely accepted housing affordability indicator. Payment of 30% of income towards shelter costs is a well known benchmark, however, a 32% ratio has become increasingly acceptable. The following analysis therefore establishes a range in the order of 28 – 32% RGI as desirable.

The template Housing Agreement defines original rents and income thresholds per unit type, to be used for newly developed low end market rental units. The Housing Agreement ensures affordability by controlling both rent levels, as well as maximum income thresholds, for each unit type.

The original rents were established by reducing market rents by approximately 20%, thereby significantly increasing affordability for low income earners. Market rents are documented on page 64 of the Affordable Housing Strategy.

Maximum income thresholds were then established for each unit type based on the income level required to afford the lowered rents using the standard 30% RGI calculation.

A detailed evaluation of the established income thresholds showed a number of issues with the adopted structure:

1. Occupancy in a bachelor low end market unit is currently restricted to those with annual incomes of \$20,000 or less. This contradicts the Affordable Housing Strategy, which considers anyone with annual incomes of \$20,000 or less as requiring subsidized housing, not low end market housing. A maximum income threshold of \$20,000 for a bachelor unit therefore greatly limits eligibility for occupancy in bachelor units.
2. Since the maximum income threshold was set at 30% RGI, anyone earning less than the maximum income threshold in each category automatically must pay greater than 30% of their income towards rent. This results in those most in need paying high percentages of their incomes towards rent -- in most cases in the mid-high 30 % range.
3. Anyone earning just slightly over the maximum income threshold in each category is heavily "penalized" by having to enter the next category. RGI jumps immediately from 30% to as high as 38%.

4. The adopted structure does not provide extensive opportunities for the desired 28 – 32% RGI range.

Noting these concerns, detailed analysis was conducted in order to provide recommendations for affordability improvements to the adopted structure, as shown in Attachment 1. It was found that by keeping the rental rates constant, while adjusting the income thresholds, the following results are achieved:

1. Income eligibility requirements for occupancy in a bachelor unit are in line with the Affordable Housing Strategy and are not overly restrictive.
2. Greater affordability is achieved for those most in need. RGI does not exceed 34% at the lowest scales, and in most cases remains at no more than 32% for the lowest incomes in each category.
3. The “penalty” is reduced for those whose income slightly exceeds the maximum level in each category.
4. There is a larger overall distribution of the desired RGI affordability range of 28 – 32%.

There is one notable downside to the proposed structure. In some cases, RGI can be as low as 26 - 27% for the highest income earners in each category, which may be considered a “break”. Notwithstanding this downside, the proposed revisions improve overall affordability of the low end market units and also improve affordability at the lower end of the income scales in each category.

It is therefore recommended that the maximum income thresholds change as follows:

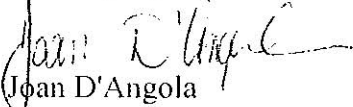
- From \$20,000 to \$23,000 for bachelor units
- From \$25,000 to \$28,000 for one bedroom units
- From \$30,000 to \$33,000 for two bedroom units
- No change for the three bedroom units – remains at \$37,700.

### **Financial Impact**

There are no financial impacts.

**Conclusion**

Staff recommend adopting the proposed revisions to the income thresholds in the template Housing Agreement.



Joan D'Angola  
Affordable Housing Coordinator  
(604-247-4946)

:jd

Affordable Housing Agreement Original Rents and Income Thresholds  
Part I (o)

ADOPTED STRUCTURE

	Max. Rent	Income	RGI %	Bachelor	Max. Rent	Income	RGI %
Bachelor	\$500	\$15,000 *	40%		\$500	\$18,000 *	33%
		\$16,000 *	38%			\$19,000 *	32%
		\$17,000 *	35%			\$20,000	30%
		\$18,000 *	33%			\$21,000	29%
		\$19,000 *	32%			\$22,000	27%
		<b>\$20,000</b>	30%			<b>\$23,000</b>	26%

PROPOSED STRUCTURE

1 Bedroom	\$625	\$20,100	37%	1 Bedroom	\$625	\$23,100	32%
		\$21,000	36%			\$24,000	31%
		\$22,000	34%			\$25,000	30%
		\$23,000	33%			\$26,000	29%
		\$24,000	31%			\$27,000	28%
		<b>\$25,000</b>	30%			<b>\$28,000</b>	27%
2 Bedroom	\$750	\$25,100	36%	2 Bedroom	\$750	\$28,100	32%
		\$26,000	35%			\$29,000	31%
		\$27,000	33%			\$30,000	30%
		\$28,000	32%			\$31,000	29%
		\$29,000	31%			\$32,000	28%
		<b>\$30,000</b>	30%			<b>\$33,000</b>	27%
3 Bedroom	\$943	\$30,100	38%	3 Bedroom	\$943	\$33,100	34%
		\$32,700	35%			\$33,700	34%
		\$33,700	34%			\$34,700	33%
		\$34,700	33%			\$35,700	32%
		\$35,700	32%			\$36,700	31%
		\$36,700	31%			<b>\$37,700</b>	30%
		<b>\$37,700</b>	30%				

\*Technically, anyone earning under \$20,000 is considered "subsidized" as per our Strategy

Note: RGI refers to "rent geared to income"

Note: RGI range of 28-32% desirable

Note: **Max threshold indicated by bold red font**