



## MEMORANDUM

**To:** Mayor Scarpitti and Members of Council

**From:** Jim Baird, Commissioner of Development Services

**Prepared By:** Murray Boyce, Senior Policy Coordinator, Planning & Urban Design

**Date:** February 22, 2011

**Subject:** Supplementary Information on Housing Affordability & Household Income for Affordable and Special Needs Housing Strategy Study

---

### **Background**

On February 8, 2011, Development Services Committee received a staff/consultant presentation regarding Markham's Affordable and Special Needs Housing Strategy.

At that time, the Committee requested further information on the key findings of the consultant's study including housing affordability in Markham and household income spending patterns. In particular, the Committee asked for additional information on the incidence of low income and what constitutes the poverty line in Markham and York Region.

### **Household Affordability and Household Income**

Income is an important indicator of housing demand as it is the key determinant of housing affordability. There are several ways to analyze housing affordability including income spent on shelter, low income cut offs (LICOs), and core housing need.

### **Income Spent on Shelter**

A standard and widely accepted approach to measure household affordability is to analyze the percentage of income being spent on shelter.

Statistics Canada defines "*income spent on shelter*" as the proportion of a household's average monthly total household income which is spent on owner's major payments, in the case of owner-occupied dwellings, or on gross rent, in the case of tenant-occupied dwellings. This percentage is calculated by dividing the total shelter related expenses by the household's total monthly income and multiplying the result by 100. These expenses include the monthly rent or the mortgage payment and the costs of electricity, heat, municipal services, property taxes and other shelter-related expenses.<sup>1</sup>

---

<sup>1</sup> Statistics Canada 2006 Census Dictionary

Table 1 and 2 show the number and proportion of Markham households spending more than 30% of their income on housing costs (census data).

**Table 1: Trends in the Proportion of Household Income Spent on Housing Costs by Number of Households**

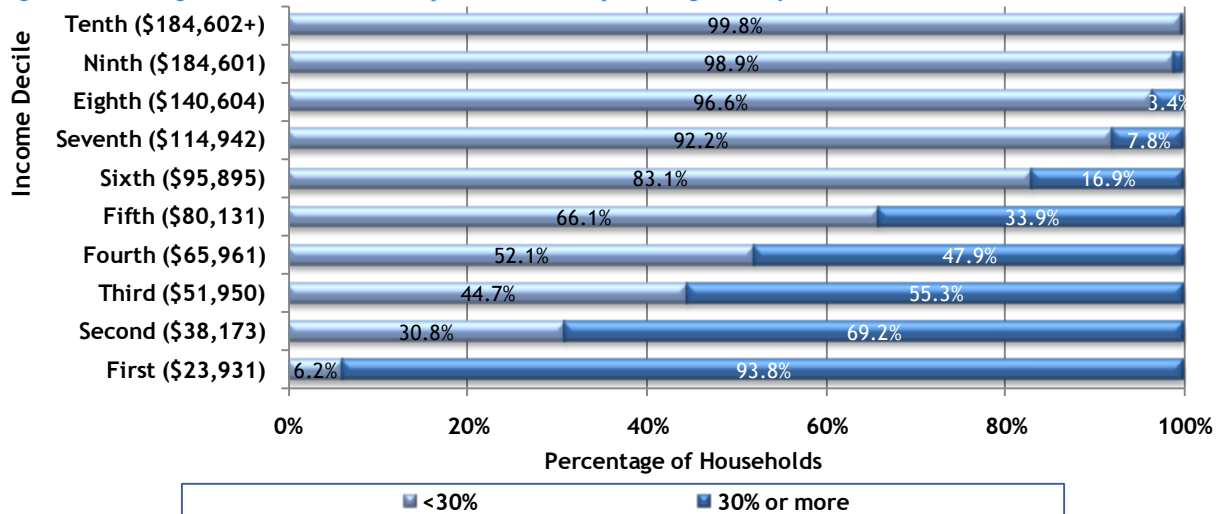
Period	< 30%	30%-49%	50%-69%	70%+
<b>Markham</b>				
1995	70.7%	16.5%	5.3%	7.5%
2000	73.2%	15.4%	4.6%	6.8%
2005	67.8%	17.1%	6.2%	8.9%

**Table 2: Trends in the Proportion of Household Income Spent on Housing Costs by tenure:**

	< 30%		30% - 49%		50-69%		70% +	
	Owners	Renters	Owners	Renters	Owners	Renters	Owners	Renters
<b>Markham</b>								
1995	73.4%	57.6%	15.2%	23.3%	4.7%	8.2%	6.8%	10.9%
2000	75.7%	56.2%	14.3%	22.6%	4.2%	7.5%	5.8%	13.7%
2005	70.5%	46.7%	16.0%	25.9%	5.8%	9.4%	7.8%	17.9%

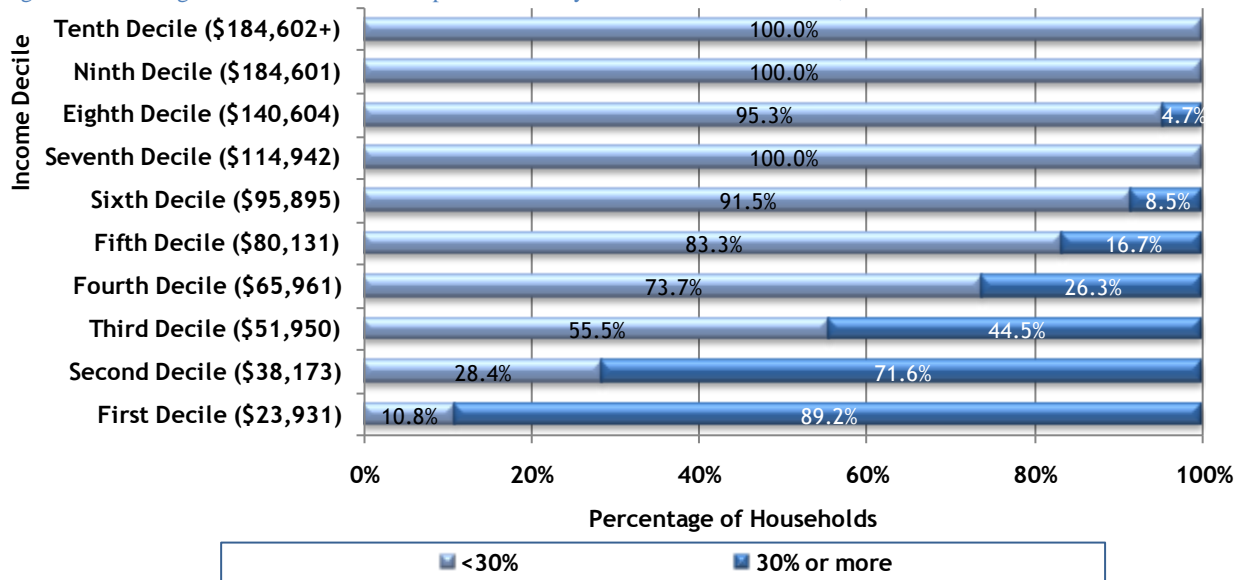
The following figures illustrate the percentage of income spent on shelter for owners and renters by income decile. While there are some households in the upper income ranges who are spending more than 30% of their income on housing costs the majority of households who are spending more than 30% of their income on housing are within the lower income declines (i.e. first to third income deciles or households earning less than \$65,000/year).

**Figure 1: Percentage of Household Income Spent on Ownership Housing Costs by Income Decile: Markham; 2005**



Source: Statistics Canada Custom Tabulations, Census 2006

Figure 4: Percentage of Household Income Spent on Rent by Income Decile: Markham; 2005



Source: Statistics Canada Custom Tabulations, Census 2006

### Incidence of Low Income (LICO)

Another important measure of housing affordability is the incidence of low income. Statistics Canada uses 'low income cut-offs' or LICO to identify the incidence of low income families and singles within a community.

Statistics Canada defines low income cut-off as:

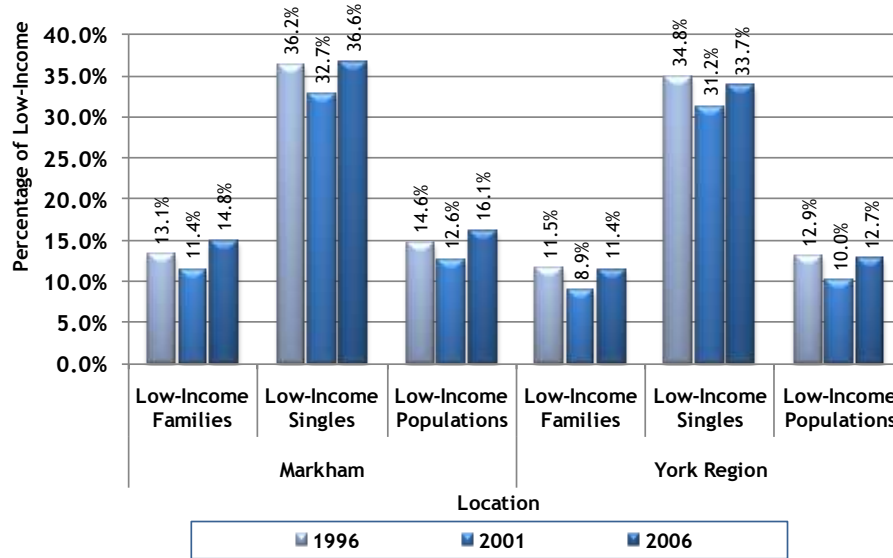
“ Income levels at which families or unattached individuals spend 20% more than average on food, shelter and clothing.”

According to Statistics Canada, low-income cut-offs are based on the expenditure (food, clothing and shelter) as a percentage of family income. The Statistics Canada Family Expenditures Survey (FAMEX) estimated that an average family spends 50% of its income prior to taxes on these necessities. In order to calculate the low income cut-off level, Statistics Canada added twenty extra points to this percentage on the assumption families or individuals spending 70% of income on food, clothing and shelter would be in “strained circumstances.” This 70% threshold is then converted into a set of low income cut-offs varying with family and community size. These data are highly informative in relation to the need for affordable housing. Using this definition, Statistics Canada provides a low-income cut-off by community size and family size.

For a community with a population of 100,000 to 499,999 (Markham's population in 2006 was 261,573), the 2005 low income cut-offs are defined as follows: one-person is \$17,895; two-person is \$22,276; three-person is \$27,386; four-person is \$33,251; five-person is \$37,711; six-person is \$42,533; and, seven or more person family is \$47,354.<sup>2</sup>

<sup>2</sup> Statistics Canada (2007). Income Research Paper Series: Low Income Cut-offs for 2006 and Low Income Measures for 2005. Statistics Canada Catalogue no. 75F0002MIE, no. 004.

**Table 3: Incidence of Low Income: Town of Markham and York Region; 1996-2006**



Source: Statistics Canada Community Profile, Census 1996-2006

### Core Housing Need

Canada Mortgage and Housing Corporation (CMHC) provides information on households that are in core housing need. A household is said to be in core housing need if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that meets all three housing standards.<sup>3</sup>

The proportion of owner households in core housing need in York Region<sup>4</sup> has increased from 4.6% in 1991 to 10.1% in 2006 and the proportion of owner households living below at least one standard has increased from 27.7% in 1991 to 29.4% in 2006. Similarly, renter households in core housing need in York Region increased from 17.4% of all renter households in 1991 to 35.3% in 2006 and renter households living below at least one standard increased from 40.9% in 1991 to 53.9% in 2006. It should be noted that while only 10.1% of owner households were in core housing need in 2006, 35.3% of renter households were in core need, suggesting a need for more affordable and acceptable rental housing in the community.

<sup>3</sup> *Adequate* housing is housing that does not require any major repairs. *Affordable* housing is housing that costs less than 30% of total before-tax household income. *Suitable* housing has enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard requirements.

A household is not in core housing need if its housing meets all the adequacy, suitability, and affordability standards OR if its housing does not meet one or more of these standards but it has sufficient income to obtain alternative local housing that is acceptable (meets all three standards).

<sup>4</sup> Data related to Core Housing Need was not available for the Town of Markham, as such data for the Region of York is provided.

**Table 4: Households Living Below the Affordability, Suitability, and Adequacy Standards: York Region CMA, 1991-2006**

	<b>1991</b>		<b>1996</b>		<b>2001</b>		<b>2006</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Total Households	144,705	100.0%	168,815	100.0%	214,230	100.0%	261,530	100.0%
<b>Owner Households</b>								
Total Owner Households	120,025	82.9%	139,070	82.4%	186,130	86.9%	232,270	88.8%
Total Households living below at least one standard	33,265	27.7%	38,805	27.9%	48,085	25.8%	68,250	29.4%
Total Households living below adequacy standard	3,710	3.1%	5,070	3.6%	6,335	3.4%	7,005	3.0%
Total Households living below affordability standard	26,680	22.2%	30,280	21.8%	36,375	19.5%	54,480	23.5%
Total Households living below suitability standard	5,335	4.4%	7,395	5.3%	9,300	5.0%	13,145	5.7%
Total Households in Core Housing Need	5,470	4.6%	11,155	8.0%	16,790	9.0%	23,535	10.1%
Average Monthly Shelter Costs	1,140	N/A	1,165	N/A	1,264	N/A	1,469	N/A
<b>Renter Households</b>								
Total Renter Households	24,675	17.1%	29,745	17.6%	28,095	13.1%	29,255	11.2%
Total Households living below at least one standard	10,085	40.9%	14,610	49.1%	13,760	49.0%	15,755	53.9%
Total Households living below adequacy standard	2,150	8.7%	2,635	8.9%	2,585	9.2%	1,935	6.6%
Total Households living below affordability standard	7,060	28.6%	10,685	35.9%	9,850	35.1%	12,260	41.9%
Total Households living below suitability standard	2,320	9.4%	4,005	13.5%	3,365	12.0%	4,265	14.6%
Total Households in Core Housing Need	4,295	17.4%	8,385	28.2%	8,675	30.9%	10,330	35.3%
Average Monthly Shelter Costs	\$860	N/A	\$904	N/A	\$978	N/A	\$1,042	N/A

Source: CMHC Housing in Canada Online

**Recommendation**

This memo is provided as supplementary information on housing affordability and household incomes in support of the Affordable and Special Needs Housing Strategy Study. It is recommended that it be received as additional information to the report entitled “Affordable and Special Needs Housing Strategy: Recommended Policy Framework”, dated February 22, 2011.