



PORTABLE HOUSING BENEFITS – FACTS AND RECOMMENDATIONS

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Addressing housing affordability and reducing homelessness across Canada are key issues for community leaders and policy-makers. Making sound decisions on housing policies depends on an understanding of housing markets, of Canadians' preferences and of the programs available to address the issues.

87% of Canadians are able to live in housing which is adequate, suitable and affordable. In any given year, the other 13% of Canadian households are considered to be in core housing need. Of the Canadian households in housing need, 90% are in housing need because of a shortfall between the amount that is 30% of their income and the amount of their rent (or occupancy cost). Their housing is suitable in size and adequate in repair, but costs too much compared to their incomes. Their housing need can be addressed by providing a rent supplement or a portable housing benefit to reduce their shelter cost burden.

A portable housing benefit is a payment made by a government agency to a tenant to help the tenant pay for their rent and the other necessities of life. Tenants who qualify for benefits find and rent rental homes in the same way they do now, except that the benefits help them pay the rent. Tenants can use the money to help stay where they are (since 90% of low-income tenants already live in suitable housing), or to move to another rental home of their choice in the private market. It is the household's freedom to choose where to live that makes the housing benefit "portable".

Benefits of Portable Housing Benefits

Portable housing benefits have numerous benefits. Specifically, portable housing benefits:

- allow tenants a wide choice of where to live;
- achieve income mixing without the cost of subsidizing middle income tenants;
- use the existing economical housing stock, rather than newly built (and therefore expensive) housing;
- allow the available funding to be spread more equitably among more low-income tenants;
- allow flexibility in program design to respond to different regional needs and provincial budgets;
- allow the provision of assistance quickly;
- can eliminate deep core need regardless of a household's place on a chronological waiting list;
- allow tenants to keep their housing assistance when they move to take a new job (which is good for them and the economy);
- avoid the stigma often associated with public housing;
- can easily be used in rural areas and small towns where there are no large rental buildings; and
- can be administered at very low cost.

The Canadian Federation of Apartment Associations represents the owners and managers of close to one million residential rental suites in Canada, through direct landlord memberships and 11 apartment associations across Canada. See www.cfaa-fcapi.org or phone 613-235-0101.

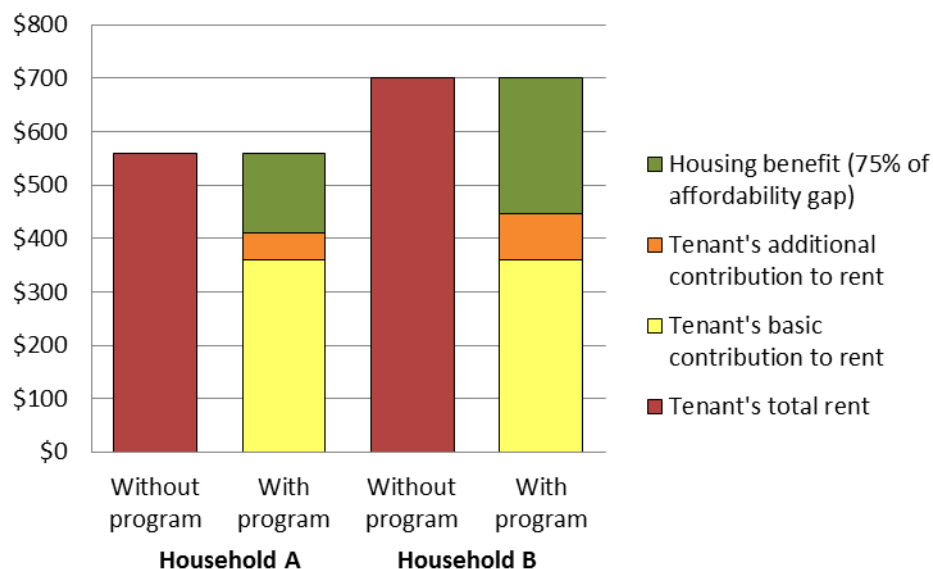
How do portable housing benefits work?

In Canada, the long-standing housing benefit programs used by BC and Quebec are partial affordability gap programs. Here is an illustration of the calculations used in such a program. Our sample program pays a subsidy of 75% of the rent in excess of 30% of income. We show two different households, each living on an income of \$1,200 per month. The affordability gap is the amount paid for rent in excess of \$360 (\$1,200 times 30%). (In a high rent area like Toronto or Vancouver, a household paying the sample rents would be a single person or a couple renting a room in a rooming house; in a moderate rent area, the household could be a couple renting a bachelor or a small one bedroom apartment; whereas in a low rent area, the household could be a single parent with a child renting an economical two bedroom apartment.)

Here are the sample household situations without a housing benefit and with a housing benefit. Without the program, Household A pays 47% of their income in rent (\$560), and has \$640 left for other necessities. They have an affordability gap of \$200, and the program gives them a subsidy of 75% of that gap, i.e. \$150 per month. With the program, Household A enjoys an after-rent income of \$790, an increase of 23% over their current after-rent income.

Without the program, household B pays 58% of their income in rent (\$700), and has only \$500 left for other necessities. They have an affordability gap of \$340, and the program gives them a subsidy of 75% of that gap, i.e. \$255 per month. With the program, Household B enjoys an after-rent income of \$755, an increase of 51% over their current after-rent income.

	Household A		Household B	
	Without program	With program	Without program	With program
Rent paid to the landlord	\$560	\$560	\$700	\$700
Affordability gap	\$200	\$200	\$340	\$340
Housing allowance (paid to the tenant)	No program	\$150	No program	\$255
Rent after allowance	\$560	\$410	\$700	\$445
Income for other family needs	\$640	\$790	\$500	\$755
Increase in after-rent income due to the allowance		23%		51%



You can see that the household which is in deep housing need (Household B, paying 58% of income toward rent) gains more from the program than the household in shallow need. Neither household needs to move. However, if Household A wants to move to a less economical rental

home, renting for say \$700, they could do so, and have an after-rent income of \$755 instead of the \$790 they have in their existing unit with the benefit.)

Quebec uses a 67% subsidy rate, but restricts the benefit to a maximum subsidy of \$80 per month. BC uses a subsidy rate which varies between 60% of the affordability gap and 90% of the gap, depending on the recipient's income. Manitoba pays a subsidy based on the average rent in each community rather than the tenant's actual rent. Various provinces provide housing benefits to low-income seniors, the disabled, all low-income families with children or low-income working families with children. Housing benefits can be used for any or all of those groups or for non-senior couples or individuals without children as well.

What are the concerns about housing benefits?

Myth 1 - housing benefits lead to rent inflation. In fact, numerous studies have shown there is no evidence that properly designed housing benefits cause rent inflation. Most recently Abt Associates reviewed the evidence on Canadian housing benefits in its 2006 report for CMHC entitled *Housing Benefits Options for Canada*. At pages 33-34 the authors state that this allegation is particularly levelled against the U.S. "Section 8 housing voucher" system, which has these design features; tenants are encouraged or required to move to better housing; the benefit is often 100% of the affordability gap; the benefits are paid to landlords; and tenants must find landlords who will agree to inspections and agree to take the vouchers. Those factors can result in rent inflation. The BC, Manitoba and Quebec housing benefit programs avoid all those features (and have other features to avoid inflating rents), and as a result do not result in higher rents either for recipients or for the housing market as a whole.

Myth 2 - the cost of housing benefits tends to get out of control. This is not true. For more than 30 years, the experience of the housing benefit programs in B.C., Manitoba and Quebec is exactly the opposite. Program costs tend to decrease in real terms. (Saskatchewan's and Ontario's programs are too new to cite as evidence, but their designs also suggest that the costs will remain constant or decrease over time.)

Myth 3 - housing benefits are only useful if the vacancy rate is high. This is not true. Even in times of low vacancy rates in Canada, the same percentage of core need households live in suitable and adequate housing as do in times of high vacancy, and that is a very high percentage of the 13% of Canadians in core housing need.

Myth 4 - landlords will not rent to tenants in receipt of housing benefits when the vacancy rate is low. This is not true. The tenant need not tell the landlord they receive a benefit, and if they do, they are a more attractive tenant, not a less attractive tenant. Unlike rent supplements, housing benefits do not have a landlord "take-up problem".

Myth 5 - housing benefits concentrate poverty because of the incentives to economize on housing costs. In fact, as compared to not having housing benefits, tenants pay less of the income toward their rent. This means that they are more able to select a rental home in a low poverty neighbourhood (although they may choose a relatively low rent rental home within that neighbourhood). The portability feature provides low-income tenants choice as to where to live, and that helps to avoid the concentration of poverty.

The criticisms of housing benefits are misplaced when looking at well-designed housing benefits of the type used in B.C., Manitoba, Saskatchewan and Quebec.

What other countries use housing benefits?

Australia	Denmark	Ireland	Sweden
Austria	Finland	Netherlands	Switzerland
Belgium	France	New Zealand	United Kingdom
Czech Republic	Germany	Norway	United States

What do other organizations say about housing benefits?

Federal Liberal Women's Caucus:

"It is often suggested that the only way to assist low income tenants in need of adequate and affordable housing is to build new social housing. Not only is the creation of new subsidized housing costly, but subsidized housing benefits only a small number of households who are in need.

"One solution to this persistent problem is a portable shelter subsidy that is tied to need rather than to designated units. The portability allows a woman to choose where she would like to live, be it closer to family, social support networks, schools, etc. It also avoids the stigma that can come with living in social housing. This change would significantly increase the number of women who could receive the assistance they need to live in adequate, affordable housing.

"There are other benefits to a portable shelter subsidy. It is administratively convenient and can be allocated as a direct cash transfer or tax credit. This eliminates the discriminatory consequences of lengthy waiting lists and other restrictions of social housing." (The Pink Book, Volume 2, 2007)

National Housing Collaborative (NHC):

"The government should develop and implement a national housing benefit that provides assistance directly to renter households in core housing need. To ensure that the benefit quickly and efficiently transfers dollars to those who need it most, existing tax information could be used to determine eligibility and payment amounts. Benefit delivery should be flexible enough to respond quickly to sudden, severe changes in housing need, including the needs of individuals who are homeless or at risk of homelessness.

"Direct housing assistance is a feasible and cost-effective tool to work alongside supply-side measures to address affordability. Many jurisdictions, including five Canadian provinces, already offer direct financial assistance to renters as a response to housing need. As the experience of these jurisdictions demonstrates, direct financial assistance to renters is a simple, timely, and responsive solution to the challenge of housing affordability." (NHC submission to CMHC in the consultation on the national housing strategy available at www.nhc-cpl.ca)

What other housing supports are needed?

Some people need more than just financial help to maintain a stable home. For those people other support services can be used along with portable housing benefits or rent supplements. In particular, the chronic homeless require significant supports as well as money, and such supports can sometimes be better provided in supportive housing environments. Therefore, individuals with special needs, including addictions, mental illness, or serious disabilities, may be better served by providing public or social housing, or rent supplements and support services, rather than portable housing benefits.

Conclusion

The private sector is best suited to provide a wide range of housing choices at the lowest cost for the vast bulk of Canadians, including low-income households who require financial help to afford the housing they need. In providing that assistance, portable housing benefits have many advantages. Provided they are well designed, portable housing benefits have very few disadvantages. An expansion of portable housing benefits would provide much needed assistance to low-income renters, reduce core housing need and help to prevent homelessness, all in a speedy, cost-effective and equitable way.