



Canadian  
Federation of  
Apartment  
Associations

Fédération  
canadienne des  
associations  
de propriétaires  
immobiliers

## **CFAA SUBMISSION TO**

**Standing Committee on Human Resources, Skills and Social  
Development and the Status of Persons with Disabilities**

## **STUDY OF POVERTY REDUCTION STRATEGIES**

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## Introduction

The Canadian Federation of Apartment Associations (“CFAA”) represents the owners and managers of close to one million residential rental suites across Canada. The private rental housing sector provides four million rental homes for nine million Canadians of all ages, incomes and situations. Of those nine million Canadians, about three million receive low incomes in any given year.

The majority of low income people live in for-profit rental housing which is at the affordable end of the market. However, due to their low incomes they struggle to pay their rent.

CFAA advocates an expanded use of portable housing benefits (PHBs) to address poverty in an efficient and cost-effective way. So does the National Housing Collaborative (NHC), whose work will be addressed below.<sup>1</sup>

*This submission explains why a broad portable housing benefit program needs to be included in any effective and cost-effective poverty reduction strategy.*

## Why a poverty reduction strategy needs to address housing costs

Deprivation (or real poverty) is a function of the relationship between a person’s (or a household’s) income and the expenditures they need to make. In Canada we have done a good job of addressing the costs of medical care, but by and large we have not addressed the huge differences in the housing costs that people need to pay.

Consider two disabled people in New Brunswick: Adam who lives in Edmunston and Brenda who lives in Fredericton. Both receive \$794 per month in disability support from the provincial government. They *seem* equally poorly off.

But the average one bedroom apartment rents for \$468 in Edmunston, leaving Adam \$326 for food, clothing and other necessities, while the average one bedroom apartment rents for \$697 in Fredericton, leaving Brenda with only \$97 for food, clothing and other necessities. All those figures are shown in Table 1. Brenda is much worse off than Adam.

Table 1

	<b>Adam</b>	<b>Brenda</b>
Income	\$794	\$794
Rent	\$468	\$697
Income after rent	\$326	\$97

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<sup>1</sup> The NHC consists of Canadian Alliance to End Homelessness, Canadian Federation of Apartment Association, Canadian Home Builders’ Association, Co-Operative Housing Federation of Canada, Housing Partnership Canada, Habitat for Humanity and National Association of Friendship Centres. The NHC is supported by a team of charitable foundations and funders, including Maytree Foundation, Metcalf Foundation, McConnell Foundation, Vancity, Evergreen, United Way Toronto & York Region and United Way Centraide.

Or consider two seniors in Toronto, Cameron lives in social housing, while Diane rents in the private market. Both receive \$1,443 per month in OAS and GIS from the federal government. They *seem* equally poorly off.

But Cameron's rent is based on his income (at 30%), and so he pays \$433 for his one bedroom apartment, leaving Cameron with \$1,010 for food, clothing and other necessities while Diane rents a one bedroom apartment at the median rent, paying \$1,132 for rent, and leaving her with \$311 for food, clothing and other necessities.

Or suppose Diane's sister, Eugena, has been lucky and lives in an apartment costing only 85% of the median market rent. That would be \$962, leaving her with \$481. Despite her good fortune (or housing locating skills), even Eugena has only half as much money for other necessities as Cameron has. All those figures are shown in Table 2.

Table 2

	<b>Cameron</b>	<b>Diane</b>	<b>Eugena</b>
Income	\$1,443	\$1,443	\$1,443
Rent	\$433	\$1,132	\$962
Income after rent	\$1,010	\$311	\$481

*What is causing Brenda to be so much worse off than Adam, and causing Diane and Eugena to be so much worse off than Cameron? It is the conjunction of two facts:*

- 1. Poor people usually need to spend a large portion of their income on their housing costs, and*
- 2. Housing costs vary a great deal between different markets across provinces and across Canada (and between the private market and the social housing sector --- which provides rents-geared-to-income).*

*The solution is to add to our social programs a PHB program, which provides a financial benefit based on the person's income AND their rent. PHBs can be targeted precisely at the deepest real poverty among low income groups.*

A PHB 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".

Several provinces use PHB programs now, but those programs are all targeted at particular and limited groups of poor people, such as families with children, the disabled, victims of domestic violence, seniors or near seniors. The target groups vary by province, and in no province are all those groups included. As well, there are many, many single people and couples who are in deep poverty and deep core housing need,

who are not eligible for the provincial programs in any province, and cannot access social housing because the amount of it falls far short of the demand for it.

### **A problem across Canada and within each province**

Table 3 shows the median rents for a one bedroom apartment in a selection of other communities across Canada

Table 3

<b>Province</b>	<b>Low rent community</b>		<b>High rent community</b>	
Quebec	Trois Rivieres	\$469	Montreal	\$679
Ontario	Windsor	\$706	Toronto	\$1132
Manitoba	Portage La Prairie	\$614	Winnipeg	\$836
British Columbia	Chilliwack	\$679	Vancouver	\$1159

Rents in Vancouver are close to three times as high as rents in Edmunston or Trois Rivieres. Rents in social housing can easily be one-third of private market rents in almost any community, but there is not nearly enough social housing to go around.

Moreover, people move into and out of core housing need frequently. Of the people in core housing need in any year, one third move out of housing need within one year, and another one third move out in the second year, whereas social housing turns over very slowly.

### **PHB design considerations**

Many countries use PHBs, and there are multiple design issues. The working paper on PHBs prepared by the National Housing Collaborative (NHC) addresses the design issues in detail. The paper is available at [www.nhc-cpl.ca](http://www.nhc-cpl.ca). This section addresses key design considerations in brief.

#### *Actual rent or average rent*

Some programs pay a subsidy based on the average rent in the community. NHC and CFAA believe that is an inferior design because it is not nearly as targeted as using actual rent. The average rent design gets at differences in average rents, but not at rents between people. As can be seen in the example of Cameron, Diane and Eugena, in Table 2, there can be huge differences between rents paid by people in the same community.

#### *Maximum rent for subsidy*

In using actual rent, a program needs to set a maximum rent for subsidy purposes. People should be allowed to rent at a higher rent, and some of them may need to, but the program should incentivize recipients to economize. The NHC advocates using the median rent as the maximum, and that would offer recipients the most choice and help. However, to address program budget limitations one could easily set the maximum rent

for subsidy at a percentage of the median, such as 95%, 90% or 85%. One could set the percentage differently for different locations.

Research should inform this decision, but it seems likely that there are few high end rents in communities like Edmunston or Trois Rivieres or Chiliwack, so that the percentage should probably be 100% or 95% there, whereas in Toronto or Vancouver there are more high end rentals, so that a maximum rent of 90% or 85% of the median would still allow a wide range of units and unit locations for poor people to choose from. (Fredericton could be in the middle at 95%.)

#### *Affordability standard*

In Canada it has been traditional to consider housing affordable if it costs less than or equal to 30% of a household's income. However, there is no scientific basis for that standard. More importantly, single people can afford to pay a higher percentage of their total income on housing than couples or families. If a single person has an income of \$1,000 per month, and pays 30% as rent, then he or she has \$700 left for other needs. If a couple has an income of \$1,000 per month, and pays 30% as rent, they have \$700 left for other needs, which is only \$350 for each person, or half what the single person has. Both the NHC and CFAA recommend setting the affordability standard for a single person at 40%, while leaving it at 30% for couples or families.

#### *Percentage of the gap*

Programs pay different percentages of the calculated affordability gap. Some pay 100%, but that leaves no incentive to economize on rent. It could also encourage people to move from low rent to high rent areas, which is a positive for employable people, but not for unemployable people. The existing, limited Canadian programs usually pay some percentage between 50 and 90%. Both the NHC and CFAA recommend 75% as the subsidy rate once a new program is fully phased in.

The sample programs below show the application of the design issues, and the results a PHB program can achieve.

#### SAMPLE PROGRAMS

Table 4

	<b>Adam</b>	<b>Brenda</b>
Location	Edmunston	Fredericton
Factor for maximum rent	100%	95%
Median rent	\$468	\$697
Maximum rent for subsidy	\$468	\$662
Income	\$794	\$794
Affordability target (40%)	\$318	\$318
Actual Rent	\$468	\$697

Rent for subsidy calculation	\$468	\$662
Affordability gap	\$150	\$344
Subsidy (75% of gap)	\$112	\$258
Income after rent & subsidy	\$438	\$355

Table 5

	<b>Cameron</b>	<b>Diane</b>	<b>Eugena</b>
Location	Toronto	Toronto	Toronto
Factor for maximum rent	85%	85%	85%
Median rent	\$1,132	\$1,132	\$1,132
Maximum rent for subsidy	\$962	\$962	\$962
Income	\$1,443	\$1,443	\$1,443
Affordability target (40%)	\$577	\$577	\$577
Actual Rent	\$433	\$1,132	\$962
Rent for subsidy calculation	\$433	\$962	\$962
Affordability gap	\$0	\$385	\$385
Subsidy (75% of gap)	\$0	\$289	\$289
Income after rent & subsidy	\$1,010	\$600	\$770

Table 6 – Income after rent – before and after the PHB program

	<b>Adam</b>	<b>Brenda</b>	<b>Cameron</b>	<b>Diane</b>	<b>Eugena</b>
Before	\$326	\$97	\$1,010	\$311	\$481
After	\$438	\$355	\$1,010	\$600	\$770
Increase	\$112	\$258	\$0	\$289	\$289
Increase as %	34%	366%	0%	93%	60%

In relative terms, at 366%, Brenda receives the most help because her situation is the worst. However, as a dollar amount Diane and Eugena receive the most money because Toronto's housing costs are far higher than costs in New Brunswick. Different parameters would affect that result. The seniors in Toronto end up with more income

than the disabled people in New Brunswick because the seniors' incomes were higher to start with.

Among the seniors living in Toronto, Eugena and Diane are much better off than they were, but not as well off as Cameron, because he is still benefiting from the deep subsidy provided through the rent-geared-to income system. Eugena is better off than Diane because she lives in a more economical rent unit, but Diane has received the most help in relative terms, because she was the worst off of the three due to her relatively high rent.

The NHC prepared a short paper entitled "Myths and Facts about portable housing benefits", which addresses some concerns of people who oppose PHBs. That paper can be obtained at [www.nhc-cpl.ca](http://www.nhc-cpl.ca). The Maytree Foundation addressed other issues about implementing PHBs. That paper can be obtained from Noah Zon at [nzon@maytree.com](mailto:nzon@maytree.com).

### **Conclusion**

PHBs deliver the most help to the people who are experiencing the deepest real poverty. PHBs can be very efficiently targeted and very cost-effective. A broad portable housing benefit is essential in any effective and cost-effective poverty reduction strategy.