



Policy Brief

Could a housing benefit help tackle our affordable housing challenge?

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In its recently updated Long-Term Affordable Housing Strategy the Ontario government said it would develop a framework for a portable housing benefit program, beginning with a small pilot program for people escaping domestic violence. A recent research report by Michael Mendelson of the Caledon Institute of Social Policy looked at possible design approaches for a housing benefit (sometimes called a housing allowance program). This policy brief provides an introduction to the issue, looking at how a housing benefit works and how it could be a step towards universal access to affordable housing.

What is a housing benefit?

A housing benefit (or housing allowance) would help people pay their rent. Unlike traditional social or affordable housing programs, where a certain group of homes are set aside in which tenants pay only a rent that is affordable to them, a housing benefit stays with the people rather than the home. Households in need could use the benefit to help them afford rent in a home of their choice, including privately-owned buildings.

Housing benefits have been common in Europe for decades, but have never been adopted at a large scale in Canada. The Ontario government's announcement reflects a growing popularity of a housing benefit as an approach to address the housing affordability challenge.

Why are we looking at a housing benefit now?

In short, because our current way of doing things is falling short.

Most of government efforts to address affordable housing in Canada today are focused on providing affordable housing *supply*. Mostly this involves some ongoing operating funding for social housing. These homes were mainly built in the 1960s through the 1980s and are today owned by public housing agencies and non-profits, along with some housing co-operatives. Much of this subsidized housing is provided on a rent-geared-to-income basis, usually set so that households pay no more than 30 per cent of their income on rent.

There are also some other subsidies to housing providers to build new affordable housing or supplement rents. Taken together, these subsidies benefit about 14 per cent of renter households in Canada.

While these subsidies have helped a large number of Canadians afford a place to live, they have failed to keep pace with the scale of need. In many cases, they have also had other unintended drawbacks, such as concentrating poverty and clawback rates that act as barriers to opportunity. Given the shortfall of support compared to the level of need, most households who have trouble affording decent housing have to make do without any subsidy in the private rental market. For example, in Ontario, the vast majority of social assistance recipients (86 per cent for Ontario Works and 64 per cent for the Ontario Disability Support Program) rent in the private market, even though rents in many cities are far higher than the shelter allowance that they receive through social assistance.¹ Two-thirds of social assistance recipients are paying more in rent than even the maximum amount of the shelter allowance provided under social assistance (and many do not receive the maximum).

Basically, our current approach is doing a decent job for some, but leaving many behind. This challenge has led a range of voices – from the private sector, non-profit and academic communities – to call for a closer look at a housing benefit.

How would a housing benefit be different?

The main case for looking at a housing benefit approach centers on flexibility and choice. For tenants getting this kind of support keeps the choice about where they live in their own hands, rather than wherever a subsidized spot opens up. This means that they can live near work opportunities, their family, or their child's school – all factors that improve people's lives and help them to move out and stay out of poverty. It also means that they could continue to stay in their home as circumstances change – if they lose income and need extra support, or if their situation improves and they no longer need the subsidy. Alternatively, it can mean the ability to move to another area if they need to without waiting indefinitely for a subsidized unit to become available, which both allows people to make their own choices and improves labour mobility in the economy.

The other half of this flexibility is about the ability of governments to have an open-ended response that they could automatically scale up and down to respond to the need in the community. As it stands, our limited number of social housing units falls well short of the level of need, leading to long waitlists and rationing of support. Despite a recognition that all people deserve a decent and affordable place to live, access for those in need comes down to luck of the draw.

1. Based on Ministry of Community and Social Services data, as of March 2014. From Michael Mendelson's paper "Designing a Housing Allowance Program." That report was published by the Caledon Institute of Social Policy, with financial support from the Greater Toronto Area Housing Action Lab and advice from its participants. Based on Ontario Ministry of Community and Social Services data.

Why does this matter?

For about 1 in 7 households in Canada, it's not possible to find a decent home that doesn't eat up over 30 per cent of their income. This leaves these individuals and families in the difficult circumstance of either living in cramped or poor housing that hurts their overall well-being, or being forced to cut back on necessities like food, clothing or medicine because they can't afford them after their rent.

Put simply, a lack of affordable housing is a major barrier to economic opportunity and to healthy and safe communities.

Failing to provide access to affordable housing means that we are falling short on our obligation to protect the rights of our most vulnerable populations – not only directly in the right to decent shelter, but also other economic and social rights.

What is happening now in Ontario?

Beginning this year, the province will launch a pilot program that will give a portable housing benefit to people fleeing situations of domestic violence, allowing them to afford rent for a new place to live. The province has committed \$17 million over the next three years to this program.

The provincial government has also committed to a framework for a housing benefit – essentially promising to look closely at a broader application across the system of housing assistance that is tied to tenant(s), not to a specific home.

How would it work?

At their most basic level, housing benefits are designed to make up some or all of the gap between what a household can afford (based on their income) and the cost of renting a decent home (generally capped at some percentage of average rent, adjusted for household size). For example, the government of Manitoba recently introduced a housing benefit program called Rent Assist that bridges the difference between what a household can afford, measured as 25 per cent of their income, and 75 per cent of the median market rent.

In this way, housing benefits are similar to rent-g geared-to-income housing, with the important difference that the benefit stays with the person, not with the place.

While designing a program like this can be relatively simple for most cases, there are some important design decisions to make around the level of support, and how it fits together with other kinds of income support like social assistance. These design considerations shape the cost of the program, its fairness, how much it addresses housing affordability and how it might influence the broader housing market. For example:

- Should a benefit cover a portion of rent from the first dollar spent by tenants, or should it only start to kick in once renters have spent a certain amount like a health care deductible? First-dollar coverage is more expensive, but the deductible-style contribution could leave rent unaffordable for the lowest-income renters if they cannot cover that minimum amount.
- Should households get a benefit that is calculated based on the rent charged by their landlord, or a standardized one based on factors such as income, household size, and average rent in their region? If a household gets a standard benefit not tied directly to their rent, they have more incentive to shop around for the best deal that fits their needs.
- Should a housing benefit replace the shelter allowance component of the social assistance system or supplement it? Given that social assistance recipients make up around one-third of the province's rental market, this matters not just for social assistance recipients but as well for the housing market at large.

There are many ways that you can go about approaching a housing benefit, but an important consideration to keep in mind is that to get the more significant economic and social returns that can come with the most flexible approaches and broader coverage, it requires a much more significant investment up front.

Where do we go from here?

The provincial pilot program is set to begin this year with \$2.4 million and ramp up over the next two years in three Ontario cities. The province's Long-Term Affordable Housing Strategy also committed to a broader framework for a housing benefit, raising the possibility of more significant reform. The federal government has said that it would pursue a National Housing Strategy, though it isn't yet clear what form that would take or if it would include a housing benefit approach. Governments might want to take an incremental approach to moving towards a portable housing benefit approach.

A more modest start could begin with the lowest-income households, supplementing the shelter allowance for social assistance recipients (which often falls short of the cost of rent) and also boosting housing affordability for other low-income households. As governments became more comfortable with the design of the program, they could adjust and add building blocks to the program, such as moving to a standard benefit. Moving to a portable benefit is not an all-or-nothing bargain.

Even with broad implementation, a housing benefit alone wouldn't deal with the lack of affordable housing options. Some other policies and programs would still be needed to encourage the supply of a range of affordable housing options to meet the needs of the community, such as capital investment to get new non-profit developments off of the ground, zoning policies that see a range of housing options get built, and tax policies that help make sure that affordable rental options are encouraged to stay that way. As Ontario moves forward with its Long-term

Affordable Housing Strategy and as the federal government develops its National Housing Strategy, they should consider how a portable housing benefit can fit in with these other approaches to help ensure that all Canadians can afford a decent home.

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