



POLICY BACKGROUNDER

How is Rent-Geared-to-Income in Ontario changing in 2020?

What housing and income security advocates need to know

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Introduction

As a result of the COVID-19 pandemic, many households have experienced a sudden, drastic loss of employment income and/or increased living costs. In response to this, the federal and provincial governments have introduced time-limited income security measures to help reduce the hardships that Ontarians are facing. Together, the sudden loss of income combined with temporary income boosts could be causing significant income volatility for households.

For tenants living in Rent-Geared-to-Income (RGI) housing, income fluctuations could also mean rent fluctuations, as the amount of rent they pay is directly related to their income.

In addition, changes to RGI rent calculations were already underway before the COVID-19 crisis. Since the beginning of July 2020, municipal housing service managers can – but don't have to – start using a new method of calculating RGI rents.

This uncertainty about how rents will be calculated paired with the income volatility because of COVID-19 means that RGI tenants don't know how much their rent will be in the coming months.

In this background, we explore how COVID-19 emergency benefits and pre-existing changes to RGI calculations will affect RGI tenants in Ontario and what could be done to help them navigate this uncertainty.

RGI at the start of 2020, before COVID-19

How were Rent-Geared-to-Income (RGI) rents calculated?

RGI rents were calculated by municipal service managers who operated within regulations set by the provincial government.

In general, rents for RGI housing were calculated to be 30 per cent of a household's before-tax income. Service managers calculated a household's rent once per year based on the household's current monthly income. RGI rents were reassessed on an annual basis or more frequently if the household

experienced a change in income, assets, or family composition. A household whose income came almost entirely from social assistance paid a fixed “minimum rent” (the exact amount paid depends on the household size).

COVID-19 emergency benefits and RGI

Does the Canada Emergency Response Benefit (CERB) count as income for RGI calculations in Ontario?

Yes. In Ontario, service managers are including Canada Emergency Response Benefit (CERB) income in their rent calculations. This means that someone living in RGI housing who lost employment income *and* is receiving CERB can request a rent review. For example, for someone who lost a job that paid \$3,000 per month and then started to receive \$2,000 per month through CERB, their rent would be reduced to \$600 per month – down from \$877 per month.¹

How does this affect people receiving social assistance?

Households that have only income from social assistance should continue to pay the minimum rent and be unaffected by these changes.

However, the situation is different for social assistance recipients in RGI housing who were working before COVID-19 and may now be eligible for CERB. In December 2019 there were an estimated 5,000 such recipients. Receiving CERB will affect both their income from social assistance and their rent. If their CERB income is higher than their previous employment income, their rent will increase. But if their CERB income is less than their previous employment income, their rent will decrease.

In practice, this means that RGI tenants receiving social assistance who are also eligible for CERB will be subject to multiple income assessments. First, they will have to attest their income to the Canada Revenue Agency (CRA) to receive CERB. Second, as a result of the CERB income, their social assistance case worker will recalculate how much social assistance they should receive. Next, their housing service manager will recalculate their rent based on the revised

¹ Rent calculations subtracts \$75 from the tenant’s employment income before calculating the 30 per cent rent amount.

social assistance and CERB income. And, finally, a change in rent will require a further reassessment of social assistance income.

How does this affect seniors?

RGI rents will change for seniors whose income fluctuates due to losing employment income and/or receiving CERB. But even low-income seniors with fixed incomes and stable rents will see changes this year. People who receive the Ontario Guaranteed Annual Income System (GAINS) will receive higher payments between April and September, and recipients of Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) will receive a one-time boost in July. All of these are included as income for RGI calculations and will affect the amount of rent that seniors will be asked to pay.

Regulatory changes coming to RGI in Ontario

How are RGI calculations changing?

New regulations have been introduced that will change the way RGI rents are calculated. These changes were underway before the COVID-19 crisis.

RGI rents will continue to be set at 30 per cent of a household's income, but this figure will be calculated based on a household's *annual income from the previous tax year*, rather than on its *current monthly income*.

Using this annual income figure means that households will have a more predictable rent. It also aligns with the approach used for other income-tested programs, and it is easier to administer. For these reasons, many see this as a positive change.

Households that receive social assistance and have minimal other income will continue to pay the fixed minimum rent.

When will the new RGI calculations take effect?

According to the new regulations, service managers could decide to implement the new calculations on July 1, 2020, or wait another year and implement them on July 1, 2021. So, between July 2020 and 2021 some households will

have their rent calculated under the old rules and some under the new rules, depending on which of the two dates their service manager decided to switch. This means that households in identical circumstances but with different service managers could be paying completely different rents to one another.

The current situation for RGI tenants

How are service managers calculating rent during the COVID-19 crisis?

Recalculating RGI rents has been challenging during COVID-19 shut-downs. Physical distancing guidelines make it harder for households to access and submit evidence of their income, and harder for service managers (who are working remotely) to process that information.

In practice, the way that RGI rents are being calculated varies by service manager. Presently, households in similar circumstances may be required to pay very different levels of rent depending on how and when their service manager carries out an RGI reassessment. Since the beginning of July 2020, service managers have had the option to calculate RGI rents based on the tenant's average income in 2019. This will introduce an additional level of variation.

None of these calculation methods work perfectly for all households. For example, a service manager who decides to pause their rent recalculations to allow fluctuating incomes to settle will spare seniors receiving temporary boosts from GAINS, GIS and OAS from enduring multiple rent adjustments, but this may force households that have experienced a loss of income to pay a rent they can no longer afford.

In the current climate, RGI tenants in Ontario cannot anticipate how much they will be required to pay in rent over the coming months.

Reducing uncertainty for RGI tenants

What could be done to help RGI tenants navigate this uncertainty?

Not knowing how much their rent will be from month to month is an additional hardship for RGI tenants. The provincial government could help by providing service managers with guidelines on how to calculate rent for RGI tenants during the COVID-19 pandemic, based on the principles of

affordability, predictability, and transparency. Meanwhile, service managers could proactively communicate to RGI tenants how they are planning to calculate rents for the remainder of 2020 and for 2021.

Along with navigating this uncertainty, some RGI tenants will struggle to pay their rent while their incomes are fluctuating. To support tenants during this crisis and in its aftermath, the province could direct funds, through service managers, to tenants whose rent exceeds 30 per cent of their income.

These actions could help give tenants security, affordability, and predictability over the next year. This is critical to helping tenants continuously affirm and realize their human right to housing.

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