



# United Way Centraide Canada

## Supplemental Policy Paper

### A Portable Housing Benefit Tackling Housing Poverty and Homelessness

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# A Portable Housing Benefit

## Tackling Housing Poverty and Homelessness

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### Guide to Contents:

Executive Summary.....	2
The Rise of Housing Poverty and Homelessness.....	3
The Corrosive Impact of Housing Poverty on People and Communities.....	4
The National Housing Collaborative – A Balanced Mix of Policy Responses .....	4
How the Proposed Benefit Works.....	6
Portable Housing Benefits are Both Essential and Proven .....	7
Sound Policy Through Smart Design.....	8
Concerns and Considerations.....	10
Conclusion.....	13
Recommendation.....	14

## Executive Summary

- Income and its relationship to housing affordability was the top priority identified in the community conversations United Ways and Centraides conducted across Canada in relation to poverty.
- Renter households face far greater housing affordability challenges and hardships – they have lower incomes and pay a larger portion of their income on housing than owners.
- The rise of pervasive homelessness reflects this deepening housing poverty. People who spend a high portion of their income on rent and utilities cannot afford other necessities of life – nutritious food, transportation, medication, dental care, etc. Coupled with precarious income, high housing costs contribute to financial and household instability, which negatively impact individual health and community cohesion.
- A host of emergency services have sprung up to cushion the impact of deteriorating housing affordability including – food banks, rent banks, utility assistance programs and temporary shelters.
- While building more affordable rental housing is critical, we cannot ‘build our way out’ of the affordability crisis facing renters across Canada in the immediate term.
- Introduction of a portable housing benefit (PHB), as recommended by the National Housing Collaborative, would complement the recent introduction of the Canada Child Benefit and other key income support initiatives, and help lift tens of thousands of households out of poverty.
- A new PHB should augment, and not undermine, the existing housing related income support programs delivered by provinces, municipalities and community-based partners.
- The design of a PHB can ensure it is administratively efficiently, avoids distorting the rental market, and is sensitive to fiscal realities.
- Initially, a PHB should be designed to help those in greatest need, before being phased-in over-time to assist other renter households in core housing need.

## The Rise of Housing Poverty and Homelessness

The community conversation local United Ways and Centraides convened across Canada identified income and housing as the number one issue. Put simply: too many Canadians struggle to afford the housing they need. This finding isn't surprising and mirrors many others, including the Canadian Medical Association's 2013 report, *Health Care in Canada: What makes Us Sick*.

Canada Mortgage and Housing Corporation estimates there are approximately 1.5 million households deemed to be in core housing need. A household is classified as being in core housing need if its housing falls below at least one standard of adequacy, affordability or suitability, and that household would have to pay 30% or more of its total before-tax income to meet the median rent of an alternative that would meet all three standards (CMHC, 2011). Given that poor quality housing represents only a fraction of core housing need in Canada (CMHC, 2006), the cost of housing relative to the income of households is the main driver of core housing need.

The challenges associated with housing affordability are not new. But the scale of the problem has grown, as have its most obvious manifestations; widespread homelessness and growing reliance on foodbanks.

A recent report (June 2017) by the Maytree Foundation documents that income inequality widened over the past decade. Income growth in upper income households outpaced that of those at the bottom. Moreover, in 2015 alone (the most recent data), market income only rose for the top 20 percent of earners, while the bottom half saw substantial falls in market income. Meanwhile, rents in general across Canada's existing housing stock have tracked or lagged inflation.

In short, Canada's housing affordability crisis results from two factors, declining incomes and the lack of new affordable housing supply.

Many people struggle to buy a home. However homeowners, on average, have double the income of renters. That means that renters have far greater issues with housing affordability and stability.

In 2011, 26.4% of renters in Canada were in core housing need compared to only 6.5% of homeowners (CMHC 2014). Remarkably, 19% of tenants spend more than 50% of their income on their housing.

When housing costs out-stretch budgets, the cracks start to appear. The dilemma many face is whether to pay the rent or put food on the table. *Hunger Count 2016* documents the growing reliance on emergency food assistance. "In March 2016, 863,492 people received food from a food bank in Canada. . . . 28% higher than in 2008."

Prior to 1980, homelessness in Canada was rare and largely confined to small pockets in big cities. Today, 35,000 Canadians are homeless each night, and more than

235,000 will experience homelessness this year. *The State of Homelessness in Canada 2016* identifies “massive disinvestment in affordable housing, structural shifts in the economy and reduced spending on social supports” starting in the 1980s as the chief culprits.

### **The Corrosive Impact of Housing Poverty on People and Communities**

Housing poverty causes and worsens problems with physical and mental health. People struggling to pay for their rent experience stress and are prone to feelings of hopelessness and depression. Low income Canadians have the highest rate of mental health risk.

The health impact of housing poverty clashes with the perception most Canadians have about the impact of our healthcare system in promoting reasonably equitable health outcomes. People living in poverty are, in fact, much more likely to suffer from chronic illness and die sooner. Indeed, premature death is 8 to 10 times higher among homeless people.

The cost of poverty is born by both those that live in poverty and the wider community. People living with stress and depression are less economically productive, and less able to participate and contribute to community life. Children raised in poverty and instability tend to have lower educational achievement, and experience lifelong health impacts. As *What Makes Us Sick* notes, “Poverty in childhood can be a greater predictor of cardiovascular disease and diabetes in adults than later life circumstances and behavior”. Even if incomes rise as people age, the antecedent health conditions will continue, if not worsen.

Governments, charities and other funders have, over the last three decades, responded by putting in place a wide range of programmatic initiatives designed to ameliorate the worst impacts of housing poverty, household instability, and homelessness. Rent banks and utility assistance programs provide emergency assistance and keep households from being evicted or having their essential utilities disconnected. For those who are evicted or find themselves homeless, a hodgepodge system of shelters is available. Ironically, the intensive nature of this type of intervention is far more expensive than the cost of rent.

### **The National Housing Collaborative – A Balanced Mix of Policy Responses**

Spurred by the proposed development of a National Housing Strategy, the United Way Centraide movement convened an alliance of national nonprofit and private housing associations and major foundations to create the National Housing Collaborative (NHC).

The goal of the NHC is to develop transformative, durable and innovative policy solutions that can be incorporated into the National Housing Strategy to support a

strong, vibrant housing system. The NHC commissioned a range of experts to conduct in-depth research and analysis to identify options for addressing housing need in Canada. This resulted in the Collaborative proposing four complementary and interconnected recommendations designed to improve housing affordability for all Canadians.

- A National Plan to End Homelessness
- Leadership and Resources for Social Housing Sector Transformation
- Increase and Repair the Supply Affordable Rental Housing Through Innovative Capital Tools
- Develop a National Housing Benefit for Renter Households

We and our NHC partners were very pleased to see that the 2017-18 federal budget included significant allocations of resources to address housing needs over the coming decade. We are now working with CMHC to help turn policy objectives into more concrete programmatic responses.

This paper highlights the case for a national portable housing benefit (PHB). The first section details why a PHB is the most efficient and effective way to diminish core housing need. Second, we articulate the proposed design features recommended by the NHC and their importance. Finally, we offer evidence in support of design considerations that mitigate potential negative consequences.

## HOW THE PROPOSED BENEFIT WORKS

The benefit design is:

### RESPONSIVE

Households are subsidized on the basis of their actual rent, which allows the amount of benefit to respond very specifically to each household's level of need.

### FAIR

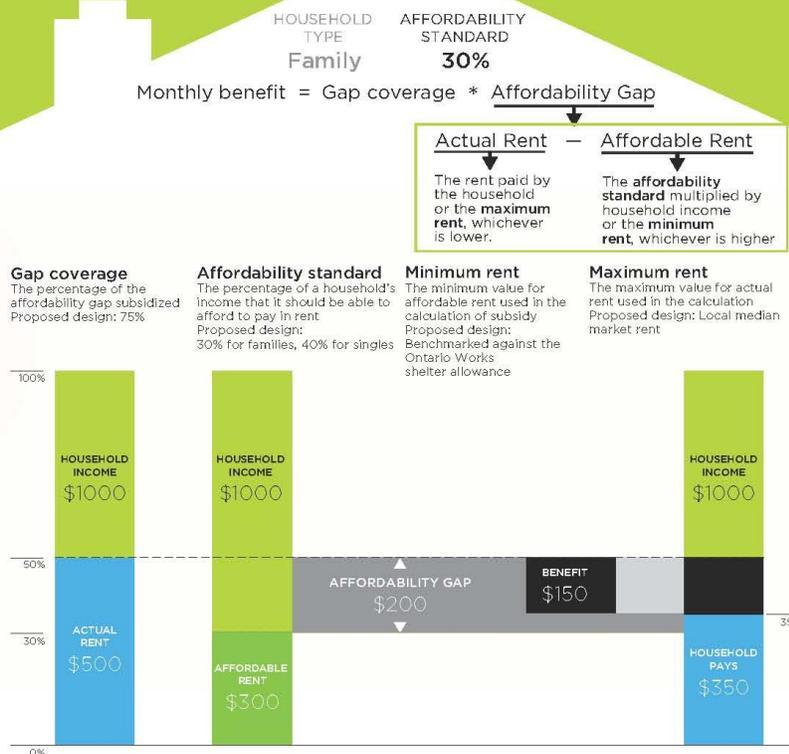
Households in deeper need are subsidized more than houses in less need, but not so much that they switch places. This ensures that households are not disincentivized to increase their incomes or find lower cost housing.

### EFFICIENT

Households bear a portion of the cost of increased rent, which means that they are less likely to accept above market rents from their landlords — decreasing the portion of the benefit captured by landlords and reducing upward pressure on rents.

### WORK-FRIENDLY

Households retain more of each additional dollar earned, which mitigates the work disincentives that come with the receipt of a cash benefit.



1

Consider a family making \$1000 per month and paying \$500 or 50% of their income in rent.

2

Because they are a family, the household's affordability standard is set to 30% of income, making its affordable rent level 30% of \$1000, or \$300.

3

The household's affordability gap is \$200, the difference between the affordable rent (\$300) and the actual rent paid (\$500).

4

The household receives 75% of the \$200 affordability gap, a monthly benefit of \$150.

5

The household's rent is effectively reduced to \$350 per month by this benefit, and now spends only 35% of income on rent.

## **Portable Housing Benefits are Both Essential and Proven**

Housing affordability issues arise from two conditions: either housing supply shortages lead to an increase in rental rates, or households do not have sufficient income to afford even otherwise reasonable market rents. Income challenges could be the result of personal circumstances, or broader changes in labour market conditions, such as income stagnation, the rise of precarious work or the decline of certain geographically concentrated industries. Over time, increasing the supply of rental housing stock can alleviate the first condition, but not the second. Therefore, in addition to investing in new supply to promote a healthy housing market, demand-side responses are also required to address housing affordability.

Demand-side measures address affordability issues directly by providing assistance to offset housing costs (Pasolli et al., 2016). Relative to supply-side interventions, demand-side measures promote greater mobility for assisted households, and can be provided to households in need across a variety of accommodation type, not just those with access to subsidized housing. The majority of Canadians in core housing need are appropriately housed, save they do not meet the affordability standard. Direct financial assistance to tenants could alleviate core housing need without waitlists or the disruption of moving. Direct assistance may also be more cost-effective than supply-side interventions due to the relatively low administrative burden of providing resources directly to households (Steele, 2007).

Direct assistance to renters is an immediate and administratively efficient way to eliminate deep core housing need, alleviate core housing need, and improve people's lives while introducing a vital new element in Canada's poverty reduction strategy. The National Housing Collaborative (2016) highlighted some key benefits of a direct assistance program:

- Direct assistance to renters promotes individual autonomy and choice. Because it is not tied to a particular building or unit, people can choose where they want to live and find accommodations that meet their specific needs.
- Because of its flexibility and responsiveness to individual needs, direct assistance can potentially contribute to labour market mobility and promote mixed-income neighbourhoods.
- Eligibility and administration can be determined in the design of the benefit, ensuring administrative efficiency while ensuring need gets to those who need it most.
- A benefit can be phased-in over time, ensuring immediate impact for households in greatest need while providing the flexibility to scale assistance over time.

Despite its merits, there is currently no national housing assistance program in Canada. However, many international jurisdictions, and five Canadian provinces, provide direct financial assistance to renters in housing need. Quebec, Manitoba, British Columbia,

Alberta and Saskatchewan offer direct housing assistance programs outside of shelter benefits as part of social assistance programs. Ontario, in addition to a housing tax credit as part of the Ontario Trillium Benefit, is also developing a standalone direct housing assistance program. A pan-Canadian response is required to meet the depth and incidence of core housing need across the country. However, as some experts have demonstrated from studying the impact of direct financial assistance to renters in other jurisdictions, portable housing benefits for renters “is a simple, timely, and responsive solution to the challenge of housing affordability” (Pasolli et al., 2016; Londerville and Steele, 2014).

### **Sound Policy Through Smart Design**

Different jurisdictions have adopted a wide variety of designs for direct assistance to renter programs, with significant consequences on the impact and effectiveness of the programs. Like with any public policy, design matters. Design options vary significantly in terms of who receives assistance and how they access assistance, the formula calculating how much assistance they receive, as well as the administration and delivery method of assistance programs. These distinctions result in differences in the impacts on recipient households, policy outcomes, as well as for the broader rental market.

After conducting a comparison of all Canadian provincial programs, as well as the U.S., Australia, the U.K, and six other European countries, convening local discussions with housing stakeholders and experts across Canada, incorporating lessons from those with lived experience of housing need, and engaging impartial external policy design expertise, the National Housing Collaborative (2016) proposed a made-for-Canada, national portable housing benefit with the following features:

**Assistance delivered directly to households** – By providing assistance to households, not landlords, the benefit should promote the autonomy of recipients while decreasing the likelihood of rent inflation or stigmatization.

**Universal for all eligible renter and homeless households** – The benefit should provide assistance to all households in housing need that meet the eligibility criteria. Eligibility should be clear and transparent, with households in similar circumstances eligible for similar support.

**Partial gap coverage** – By providing only a significant portion of the actual gap between what a household can afford and the affordability standard, a partial gap coverage payment design balances the goal of diminishing core housing need with the responsibility to minimize the potential for rent inflation or disincentives to work. A partial gap coverage benefit will move households significantly closer to the affordability standard, and make a tangible difference in people’s lives, while ensuring that

households have incentives to seek lower rents and higher incomes. Further, including minimum and maximum rent restrictions will ensure that costs are not distorted by large subsidies to households paying extremely low or high rents.

**Targeted to households** – The benefit should be responsive to household type, and aligned with actual housing need. A lower affordability standard for families than for singles (because families typically need more money after paying rent for additional costs) would ensure support goes to those who need it most while containing overall program costs.

**Delivery through the tax system** – Delivering the benefit through the tax system would leverage the expertise of the Canada Revenue Agency in administering income benefits, and would be in keeping with the success of other jurisdictions, such as that of Quebec, by using tax information to administer housing assistance. The tax system provides an efficient and speedy delivery mechanism. Further, many programs for vulnerable populations, including the homeless, already require tax filing as a condition of delivering support. Administering a benefit through the tax system is neither unusual nor impractical for reaching extremely vulnerable populations.

**Includes a flexible, immediate response** – While efficient, the tax system is not responsive to sudden, severe housing needs. A locally administered, ‘bridge’ benefit should complement the national benefit to ensure assistance for households, such as survivors fleeing domestic abuse, who experience the rapid onset of severe housing need.

**Built in collaboration across levels of government** – In order to achieve equitable access for all Canadians, regardless of where they live, collaboration with other orders of government will be required to ensure new direct financial support for tenants is not offset by equivalent de-investment from other support programs. Alignment between the new benefit and existing measures to income assistance and income security, both federally and provincially, will ensure a new benefit is additive, and not substitutive, for households in need.

The graphic below illustrates how the proposed benefit would calculate assistance levels for eligible households, and the impact the benefit would have on its level of housing need. Based on the eligibility criteria adopted by the National Housing Collaborative (2016), the estimated number of eligible households is approximately 800,000.

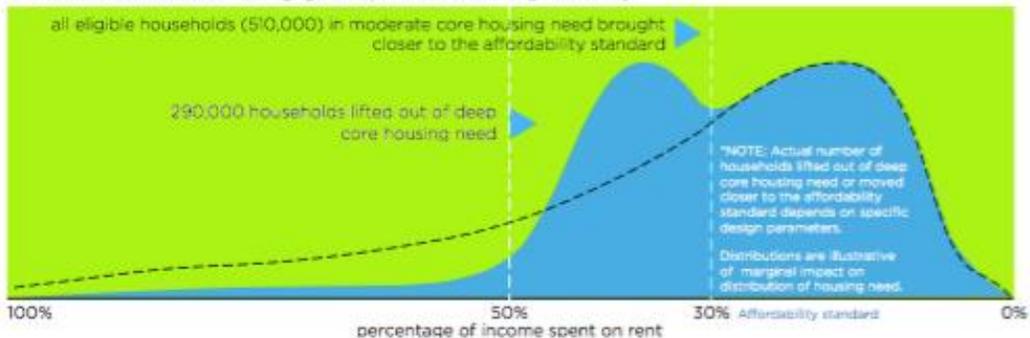
## Distribution of housing need

According to CMHC 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 is acceptable.



## How will the benefit affect core housing need?

Eligible households in core housing need will receive a benefit that covers a portion of the gap between their current and affordable rent, bringing all 800,000 closer to housing affordability.



(National Housing Collaborative, 2016)

## Concerns and Considerations

As with any public policy, there are legitimate concerns about the risks and tradeoffs inherent in any policy design. Rigorous, detailed analysis of a preferred design option will be essential to anticipate and mitigate risk. The following addresses some key concerns relating to a PHB, offering explanatory context or highlighting mitigating strategies incorporated into the proposed design.

### A benefit is unlikely to distort rental rates or the housing market

A national portable housing benefit is necessary to complement, not replace, investments in the supply of both market and non-market rental housing. More supply that is affordable will provide options for those in housing need – including recipient households. Both are necessary, and by increasing the ability of households to pay the rent, a housing benefit may serve to stimulate effective demand and decrease the risk of investing in new rental stock.

New rental and social housing are needed, but take considerable time to build. There are as many households on waiting lists for social housing in Ontario, for instance, as there are currently in social housing, while the number of social housing units has decreased over the past 25 years (Zon, 2017). This trend must be reversed, but that cannot happen quickly enough to meet the needs of vulnerable households through construction alone. A portable housing benefit offers an effective mechanism to immediately improve the circumstances and stability of Canada's most vulnerable households.

Evidence from Canada, the US, and European jurisdictions has found that if well designed, housing benefits do not lead to rent inflation. Benefits have been shown to increase the rent amounts paid by benefit recipients when paid directly to landlords, especially when paired with full-gap coverage. The U.S. Housing Voucher Program, which in addition posts a maximum 'fair market rent' ceiling, has resulted in landlords responding to changes in the ceiling and charging a higher rent to tenants receiving the voucher.

In Canada, provincial housing benefit programs have not suffered the same design flaws. CMHC has noted that most provincial programs offer partial gap coverage, in most cases is a relatively small subsidy that provides little incentive for landlords to set rents to maximum rent ceilings. Further, in many instances landlords either do not know whether a tenant is receiving a housing allowance, or do not know how the housing allowance formulas work, limiting their ability to capture a portion of the benefit (Pasolli et al., 2016).

Providing the benefit directly to households, offering partial gap coverage and setting minimum and maximum rent amounts are all design choices that mitigate the risk of rent inflation. Further, the expectation that the benefit will work in conjunction with supply-side measures is supported by announced federal government investments in rental supply, in addition to various provincial spending plans. Ultimately, the risk of rent hikes is likely no higher for a portable housing benefit than for existing income programs, including the Child Benefit and the Guaranteed Income Supplement.

#### A benefit can complement, not compete, with social housing

Given the fragile nature of social housing's fiscal and physical outlook, it is critical to design the PHB to provide support.

The PHB could improve the financial viability of social housing projects by enabling tenants to contribute more to the cost of rent. Or that increased mobility from a portable benefit would diminish waitlists and therefore allow projects to achieve greater income mixing, while maintaining the competitive advantage of being able to charge lower rents as a not-for-profit-benefit recipients would have greater choice, but their dollar would go further in affordable housing.

It is also possible that, after decades of underinvestment, the introduction of a broad benefit could expose social housing operators to competition while having undermined the competitiveness of their product. Without the promised transformation of the social housing sector—complete with investment in rehabilitation of stock—it is possible that a benefit would allow those tenants with the wherewithal to move to do so, leading to increased ghettoization of social housing communities and undermining efforts to increase viability.

Much more will need to be known about the form of federal support for social housing at the expiry of operating agreements, and the response of provinces, territories, some municipalities, and sector, in order to assess how a PHB can be implemented for a positive integration with this part of the housing system.

Fundamentally, it is essential that the introduction of a new housing assistance program not imperil the support for current rent-geared-to-income (RGI) tenants. It would be unacceptable for a new benefit to be provided to many at the expense of the necessary, deep subsidy provided in social housing. One argument made for a widespread assistance to renters is the inequity that a small proportion of households receive a deep subsidy by the luck of the waiting list, while so many others receive no assistance at all. While a national benefit should alleviate that inequity by providing assistance to all eligible households in housing need, it would be unfair for those households receiving RGI subsidies to suffer an equally arbitrary reversal of fortune by removing their current supports.

### A portable housing benefit is the most cost-effective way to address housing need and reduce poverty

According to Statistics Canada, housing is the single greatest expenditure for Canadians (2014). For many low-income renters, shelter costs comprise such a proportion of income that it crowds out other necessities, turning housing from a foundation for family stability to a driver of poverty. Facing stagnating incomes, increasing insecurity, and the rapid increase in rents in cities with the greatest economic opportunity, a portable benefit connected to household income and local housing costs is the most efficient and effective way to alleviate housing need and reduce poverty.

A PHB with the design presented here will improve outcomes and ensure assistance goes directly to those in greatest need, while providing mechanisms to limit the cost of the program. The benefit would provide partial gap coverage, reduced as income rises or more affordable housing is found, and would be capped at a maximum rent amount. Eligibility could also be controlled to limit the size of the program, introducing the benefit gradually. A phased approach could achieve an immediate impact on housing need, while allowing for adaptability and scaling over time.

Experience from the introduction of the Child Benefit has demonstrated that collaboration with the provinces and territories can ensure an integrated approach to new benefits with established income security and support systems. A national housing benefit should supplement, not replace, provincial benefit and support programs, resulting in a layered approach whereby new federal funding leverages existing programs and supports.

#### A benefit may help, but is only one of many actions required to overcome discrimination

Improving a household's ability to pay the rent will not necessarily eliminate the possibility that some landlords will discriminate against certain tenant populations. Stigma exists, and must be recognized and fought.

The guarantee of rent assistance may incent some landlords to rent to low-income households. Further, a housing benefit may also serve as a preventative measure in helping households from falling into unstable situations of bounced checks and harming credit. A benefit offers stability for those suffering temporary or chronic affordability issues, to diminish the risk of them losing their housing.

This will not, however, necessarily help those who are discriminated against and struggle to attain a lease in the first place. More work needs to be done by governments and civil society to educate and equip landlords to deal fairly with marginalized populations.

#### A benefit alone is insufficient for complex needs requiring comprehensive supports

For individuals with complex needs requiring a range of income assistance, housing and supports in order to thrive, a housing benefit will help with the housing. A national housing assistance program is not intended to replace or diminish the need for supports to be available to those who need them.

In certain high-needs cases it may be preferable for the housing benefit to go to a landlord or support provider, sacrificing some autonomy for the security of the individual. A benefit should account for this likelihood, and its implementation should be designed in collaboration with the communities who will be impacted.

## **Conclusion**

A portable housing benefit has the potential to transform outcomes for households facing poverty, homelessness and insecurity. A well-designed PHB would increase autonomy, family stability and labour mobility while mitigating the risks of rent inflation or disincentives to work. A national benefit could learn from the experience of provincial housing assistance programs, while working with all provinces and territories to ensure a new national benefit aligns and adds to the current social support infrastructure.

As an immediate, direct way to alleviate poverty and housing need, a national PHB is a critical component to Canada's ongoing efforts to reduce poverty, increase social inclusion, eliminate homelessness and diminish core housing need, and provide essential support to vulnerable populations.

UWCC believes that a Portable Housing Benefit (PHB), initially introduced as part of the NHS, should be positioned as meeting multiple priorities and form a core element of the subsequent Poverty Reduction Strategy. Indeed, we see a PHB as the key missing link in Canada's evolving income support matrix. A new PHB would complement and be consistent with the stated policy intent of the Canada Child Benefit, increases to the GIS for single seniors, and other income support initiatives introduced over the last 18 months – to help “lift Canadians out of poverty”.

**Recommendation:**

**That the federal government, in cooperation with other levels of government – provincial, municipal, and indigenous – introduce a Portable Housing Benefit designed to reduce poverty and homelessness. Initially, the PHB should provide assistance to renter households paying more than 50% of their income on housing. Over time, PHB eligibility should be expanded to assist additional renter households in Core Housing Need.**