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News Release

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CMHC Research Justifies Portable Housing Allowances – only 4.6% of Canadians in persistent housing need

CMHC's research, released today in the Canadian Housing Observer, 2008, shows that only 4.6% of Canadians are in persistent housing need.

It is usually reported that 13% to 15% of Canadian households are in core housing need. That number remains almost constant from year to year, and is accurate for any specific year. The impression most people have is that the same 13% to 15% of Canadians suffer housing problems every year. But in fact, people move into and out of housing need, as the latest CMHC research shows.

Almost all housing need is a question of low income. Of the 13.5% of households in core housing need in 2005, 12.5% were in need because of affordability (Housing Observer, 2008, p. 8). In other words 93% of core housing need is because households need to pay more than 30% of their income for their rent.

The CMHC report just released goes further, and shows that the main problem is not just low income, but in fact **temporary** low income. Only 4.6% of Canadians are in housing need for the three years under study.

For the people with temporary low-incomes, moving into subsidized housing is not a good solution, because moving costs them money and disrupts their lives. Canadians in temporary housing need would benefit most from a temporary income support, available when they need it. One such support that addresses housing needs directly is a portable housing allowance.

CFAA Chair, Avrom Charach, says, "Canadians in persistent housing need would also benefit from portable housing allowances because they too would be better off for not having to move to receive a housing benefit, but being able to move if they choose to, either then or later."

CFAA President John Dickie says, "Federal and provincial housing funds should be used for portable housing allowances or rent supplements that can be used where people choose to live."

See the attached for more details about how portable housing allowances work, and what other groups say about them.

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The Canadian Federation of Apartment Associations represents the owners and managers of close to one million residential rental suites in Canada, through 17 associations across Canada. CFAA is the sole national organization representing the interests of Canada's \$37 billion private rental housing industry, which houses more than three million Canadian households.



PORTABLE HOUSING ALLOWANCES – FACTS AND RECOMMENDATIONS

September 2008

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, 93% 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 allowance to reduce their shelter cost burden.

A portable housing allowance 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 allowances find and rent rental homes in the same way they do now, except that the allowances help them pay the rent. Tenants can use the money to help stay where they are (since 93% 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 allowance "portable".

Benefits of Portable Housing Allowances

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

- 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.

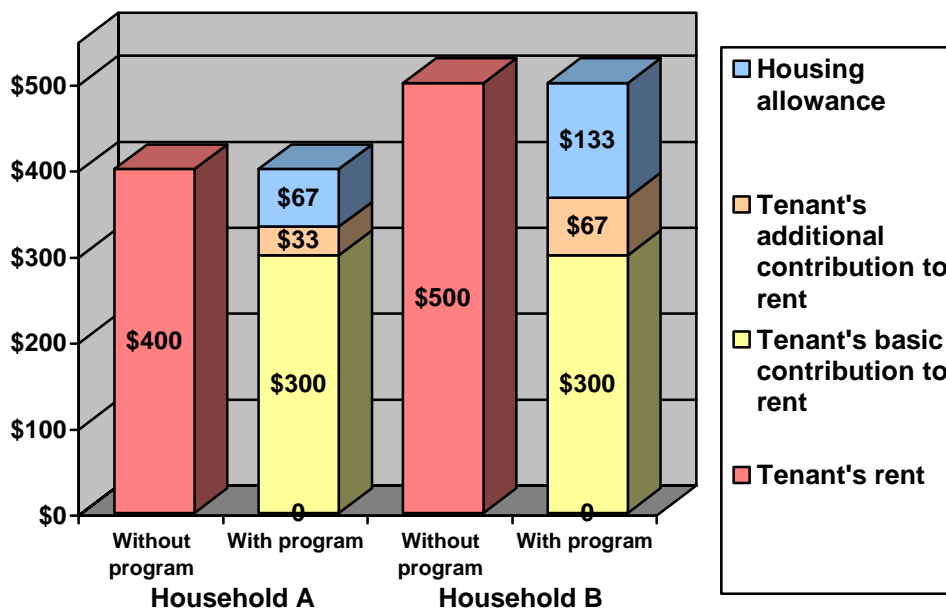
How do portable housing allowances work?

In Canada, the long-standing housing allowance programs used by BC, Manitoba 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 67% of the rent in excess of 30% of income. We show two different households, each living on an income of \$1,000 per month. The affordability gap is the amount paid for rent in excess of \$300 (\$1,000 times 30%). (In a high rent area like Toronto, Calgary or Vancouver a household paying the sample rents would be a single person renting a room or a small bachelor apartment; 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 allowance and with a housing allowance. Without the program, household A pays 40% of their income in rent (\$400), and has \$600 left for other necessities. They have an affordability gap of \$100, and the program gives them a subsidy of 67% of that gap, i.e. \$67 per month. With the program, household A enjoys an after-rent income of \$667, an increase of 11% over their current after-rent income.

Without the program, household B pays 50% of their income in rent (\$500), and has only \$500 left for other necessities. They have an affordability gap of \$200, and the program gives them a subsidy of 67% of that gap, i.e. \$133 per month. With the program, household B enjoys an after-rent income of \$633, an increase of 27% over their current after-rent income.

	Household A		Household B	
	Without program	With program	Without program	With program
Rent paid to the landlord	\$400	\$400	\$500	\$500
Housing allowance (paid to the tenant)	No program	\$67	No program	\$133
Rent after allowance	\$400	\$333	\$500	\$367
Income for other family needs	\$600	\$667	\$500	\$633
Increase in after-rent income due to the allowance		11%		27%



You can see that the household which is in deep housing need (paying 50% 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

\$500, they could do so, and have an after-rent income of \$633 instead of the \$600 they have in their original rental home with no housing allowance.

Quebec uses the 67% subsidy rate, but restricts the allowance to a maximum of \$80. Manitoba and BC use a subsidy rate which varies between 60% of the affordability gap and 90% of the gap, depending on the recipient's income. Various provinces provide housing allowances to low-income seniors, the disabled, all low-income families with children and/or low-income working families with children. Housing allowances can be used for any or all of those groups and/or for non-senior couples or individuals without children as well.

What are the concerns about housing allowances?

Myth 1 - housing allowances lead to rent inflation. In fact, numerous studies have shown there is no evidence that properly designed housing allowances cause inflation. Most recently Abt Associates reviewed the evidence on Canadian housing allowances in its 2006 report for CMHC entitled *Housing Allowances 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 allowance is often 100% of the affordability gap; the allowances 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 allowance 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 allowances tends to get out of control. This is not true. For more than 30 years, the experience of the housing allowance 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 allowances 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 allowances when the vacancy rate is low. This is not true. The tenant need not tell the landlord they receive an allowance, and if they do, they are a more attractive tenant, not a less attractive tenant. Unlike rent supplements, housing allowances do not have a landlord "take-up problem".

Myth 5 - housing allowances concentrate poverty because of the incentives to economize on housing costs. In fact, as compared to not having housing allowances, 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 allowances are misplaced when looking at well-designed housing allowances of the type used in B.C., Manitoba, Saskatchewan and Quebec.

What other countries use housing allowances?

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 allowances?

(Note that portable housing allowances are often called shelter allowances or shelter subsidies.)

Federation of Canadian Municipalities:

"A shelter allowance is needed for working poor households - without forcing them first to enter the income assistance system." (October, 2004)

"The analysis of housing need clearly documents the predominant problem as one of affordability. ... Affordability problems account for 93% of core housing need. ...[portable shelter allowances] (linked to a household, not contracted to a unit) can be effective in helping to reduce these high shelter burdens." (January 2008)

[Toronto] Mayor's Homelessness Action Task Force:

"Shelter allowances are the most effective tool to prevent homelessness for low-income households." "The best solution for ... households with severe affordability problems is to provide them with shelter allowances for housing in the private market..." "A shelter allowance for the working poor will reduce the risk of homelessness without creating a disincentive to work." ("The Golden Report", January 1999)

Monte Solberg, Conservative Minister responsible for housing:

Speaking about the evaluation and renewal of the federal homelessness and affordable housing programs, Minister Solberg said: "Is building units always the appropriate thing to do? Some provinces have lots of housing but incomes aren't high enough to get people in. It may be a situation where provinces want to use a housing allowance instead of building more units. (The Canadian Press, April 2, 2008)

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)

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 allowances 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 housing allowances.

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 allowances have many advantages. Provided they are well designed, portable housing allowances have very few disadvantages. An expansion of portable housing allowances 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.

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