

Portable Housing Allowances – Information Sheet

The Canadian Federation of Apartment Associations and the Eastern Ontario Landlord Organization are strong proponents of government putting money towards direct assistance to low-income renters rather than building new housing. Whether in the form of rent supplements or portable housing allowances, direct assistance to low-income renters is the single most cost-effective way to reduce housing affordability problems.

Rent supplements are based on contracts between social housing authorities and a limited number of landlords. Housing authorities send low-income tenants to one of those landlords. The tenants enter into tenancy agreements with the landlord to rent the specific units. These rules tie rent supplements to specific units, so that the program in effect functions as privately supplied public housing units without the problem of ghettoization. Under a *flexible rent supplement* program, tenants would be able to stay in their current units as long as their existing landlord will accept a rent supplement contract.

Portable housing allowances are not tied to a contract between a social housing agency and a rental property owner. The government provides the financial assistance directly to low-income tenants. Tenants who qualify for allowances can find and rent units in the same way they do now, except that the allowances will help them pay the rent. Tenants can use the money to help stay where they are (since 75% of low-income tenants already live in suitable housing), or to move to another unit of their choice in the private market.

Benefits of Portable Housing Allowances

Portable housing allowances, or properly designed and *flexible* rent supplements, are excellent policy tools because they

- use the existing economical housing stock, rather than newly built (and therefore expensive) housing;
- allow tenants to choose where to live;
- achieve income mixing without the cost of subsidizing middle income tenants; and
- allow the available funding to be spread more equitably among more low income tenants; and
- allow flexibility in program design to respond to different regional needs and provincial budgets.

Portable housing allowances

- allow tenants to keep their housing assistance when they move to take a new job (which is very good for the economy);
- can easily be used in rural areas and small towns where there are no large rental buildings;
- can easily be extended to assist low-income homeowners; and
- can be administered at very low cost.

The best way to solve the “housing problem” is to address affordability by providing portable housing allowances for low income tenants to obtain the housing they need in the market-place.

Housing allowances can be targeted to any needy group or groups, or made universally eligible, depending on available funding. A housing allowance program can include different parameters (e.g. rent caps, income percentages, and subsidy rates) for different groups (e.g. seniors, families, non-elderly singles, etc.). It can also be designed to recognize regional variation in housing costs.

In Canada the most commonly discussed program has been the “income-gap” plan:

$$\text{Allowance} = B \times [\text{RENT} - A \times \text{income}]$$

where

RENT = rent currently being paid by household

A = target percent of income to be spent on rent

B = percent of the gap to be subsidized.

Example: Take a single parent family whose rent is \$725 a month and average income is \$1,666 per month (\$20,000 per year). They spend 43.5% of their income on rent.

Suppose that the government set A at 30% (the current CMHC standard) and B at 75%. The formula would see the household receive, from the government, a monthly allowance of \$169 = 75% x [\$725 - (30% x \$1,666)]

The family would continue to live in their \$725 unit, but the cost of rent would be shared between the household (at \$556) and government (at \$169). The family would spend only 33% of their income on housing.

Alternately, the family could rent a larger unit at \$825 per month. The cost of rent would be shared between the household (at \$581) and government (at \$244). The family would spend only 35% of their income on housing.

In the City of Ottawa, the cost of providing a new, two bedroom social housing unit has been estimated at \$1,200 per month. A subsidy of \$644 per month is required to rent that unit at \$556 per month. Rather than providing affordable housing for one family through the subsidizing of building new units, we can provide the same benefit to 3 or 4 households through housing allowances.

International Experience

The following countries have national housing allowance programs:

• Australia	• England	• Ireland	• Scotland
• Austria	• Finland	• Netherlands	• Sweden
• Belgium	• France	• New Zealand	• Switzerland
• Denmark	• Germany	• Norway	• United States

For the last two decades, Australia and New Zealand have expanded the use of portable housing allowances to provide effective housing assistance, while reducing the cost to their taxpayers. Among First-world countries, Canada is almost unique in not having a national housing allowance program.

The Canadian Federation of Apartment Associations represents the owners and managers of close to one million residential rental suites in Canada, through 16 organizations across Canada, including the Eastern Ontario Landlord Organization.