



# The Affordable Housing Problem in Canada: Is the solution more housing or housing allowances?

A submission to the  
Honourable Monte Solberg  
Minister of Human Resources and  
Social Development

May 18, 2007

John Dickie  
President

Canadian Federation of Apartment Associations  
Fédération canadienne des associations de propriétaires immobiliers  
55 Metcalfe St., Suite 440 Ottawa, Ontario K1P 6L5  
Phone: (613) 235-0101 Fax: (613) 238-0101  
[president@cfaa-fcapi.org](mailto:president@cfaa-fcapi.org)

## **EXECUTIVE SUMMARY**

This document addresses which housing policy is the best way to help low-income tenants. The focus is on comparing building new affordable housing units with portable housing allowance programs.

### **Only some tenants need help**

According to Canada Mortgage and Housing Corporation (CMHC), the better-off two thirds of tenants pay, on average, only 20% of their income in rent. This large group has no problem affording their housing. The other one third of tenants have a significant problem affording their housing and their other needs.

### **Rental housing supply**

Since 1981 the number of new renter households has exceeded the new supply of conventional rental housing, i.e. rental units in buildings of three units or more. However, most new rental supply has come from non-conventional sources including single condominium units, single family homes and secondary suites.

### **Low rent units are available; but some tenants cannot afford them**

There is ample rental supply overall, and at the lower rental ranges, as shown by CMHC's vacancy statistics by rental range. The problem is that some tenants cannot afford to pay the cost of the housing they need. The Thom Inquiry was set up during the 1980s to examine Ontario's policies on residential tenancies. The "real problem facing households with an affordability problem," concluded Commissioner Thom, "is not that rents are too high, but that their incomes are too low."

### **Effect of rent control**

Thom states categorically that in "a rent regulation system which holds rents below fair market rent... relatively little of the resulting tenant benefit will actually accrue to low income tenants." In effect, landlords' incomes are decreased without any significant benefit to low income tenants.

Tighter rent control makes low income tenants worse off because: less rental housing is built, *all* current tenants get the benefit of paying below-market rent, some landlords choose to rent to tenants who have higher incomes, and lower income tenants tend to be the ones who miss rent payments and are forced to move. These factors all lead to fewer available units for poor tenants, the very people that the proponents of rent control are trying to help.

### **Portable housing allowances versus building affordable housing**

What low-income citizens are facing is an income problem, not a rental-housing problem. They have trouble paying for clothing, for food **and** for housing. The real and current housing problem in Canada is not the supply of housing: rather, it is the fact that some households cannot afford their housing.

The costs of building new housing mean that it cannot be "affordable housing". The only way it is made to appear affordable is through very heavy government subsidies. People often assume that if money is spent to subsidize a unit, more total units will be available. This is not necessarily the case. In fact, in many market

environments new subsidized production crowds out private supply by as much as one-for-one. As a matter of good sense, those who need affordable housing should be finding that housing in the existing housing stock.

Portable housing allowances have the following advantages over supply side strategies:

- They are less costly.
- They provide horizontal equity.
- They provide maximum choice, enhancing labour mobility and competitiveness.
- Affordability is immediately and directly addressed.

Over the five years from 1997 to 2001, the average annual cost of a portable housing allowance program for the City of Ottawa would have been \$13.5 million per year. Had we built our way to a solution, the ongoing cost would have been \$65 million per year (in addition to the \$65 million already being spent).

The cost difference varies in different years depending on the point in the business cycle. A housing allowance program will cost more in boom years than the same program will cost in years when the economy is weak, but in every year housing allowances cost much less than new construction. Housing allowances work well in both years of low vacancy and years of high vacancy, and in both areas of low vacancy and areas of high vacancy.

### **Current Provincial Housing Allowance Programs**

Currently four Canadian provinces have limited housing allowance programs, namely British Columbia, Saskatchewan, Manitoba and Quebec. Contrary to initial concerns, the provinces have found that program costs have tended to decrease over time. The Canadian provincial housing allowances do not result in rent inflation either for recipients or for the housing market as a whole. The current partial gap programs are aimed at helping the problem of housing affordability and they do this well, either by reducing the number of households in core need or by reducing the severity of core housing need for households. Ontario is introducing a housing allowance program as announced in March 2007.

### **Requests**

In the long term we submit that the solution to Canada's affordable housing problem is a National Portable Housing Allowance System. In the short term, we ask you **to review the 30% affordability standard and to develop realistic options for a housing allowance program.** CFAA would be happy to work with you in that development work.

In the very short term, we ask you **to lift the remaining restrictions on the use of the federal housing money**, so that if the provinces choose, the money can be freely used for rent supplements or portable housing allowances on an *in-situ* basis in existing units, rather than for new construction or to access only vacant units.

We would also appreciate your help **to encourage the Department of Finance to revise tax policies to promote rental housing.** Even though the current rental housing supply is sufficient, current tax policies mean that the rental housing supply comes at higher costs than are fair or reasonable. See our separate paper on tax reforms for rental housing.

## INTRODUCTION

We understand that your government may want to help low-income citizens with their housing needs. We also understand that many Canadians believe that building new affordable housing units is the best way to help, although you may not.

As the representative of the Canadian rental-housing industry, we agree that the federal government should help low-income citizens with their housing needs. However, government funding to build new housing is much less cost-effective and socially beneficial than implementing a portable housing allowance program. This paper will show you the why and how of that position.

### Who We Are

The Canadian Federation of Apartment Associations (“CFAA”) represents the owners and managers of more than one million residential rental suites in Canada, through 17 associations across Canada. Our membership includes publicly traded corporations, REITs, pension plans, social housing providers and large and small private investors. Our membership includes thousands of rental owners who own one or two small buildings, or only one or two rental units. CFAA is the sole national organization representing the interests of Canada’s \$30 billion rental housing industry, which is owned by over 1,000,000 Canadians.

### Characteristics of Rental Housing Owners

Most members of the public perceive landlords as wealthy individuals with high incomes. This view is largely incorrect.

According to a report prepared for Canada Mortgage and Housing Corporation (CMHC)<sup>1</sup>, there were 3,900,000 occupied rental units in Canada in 1996, of which 600,000 were in the social housing sector. The 3,300,000 privately owned rental units were distributed as follows:

1. Individuals who owned from 1 to 6 units - approximately 50% or 1,650,000 units
2. Institutional investors - less than 5% or 165,000 units
3. Individuals who owned more than 6 units, partnerships, joint ventures and private corporations - approximately 45% or 1,485,000 units.<sup>2</sup>

In 1998, 19% of individuals who reported rental income indicated that rental income was their major source of income. They had an average net rental income of \$7,581 per year.<sup>3</sup> For 81% of rental owners, rental income was not their major source of income. They had an average net rental income of \$440 per year each.<sup>4</sup>

---

<sup>1</sup>CMHC Research Report: *An Evaluation of Housing Taxation Measures*, by F.B. Gorman & Associates Limited, May 2002.

<sup>2</sup>ibid, p.31.

<sup>3</sup>ibid, p.32: \$1,689,384,000 divided by 222,850 investors = \$7,581.

<sup>4</sup>ibid, p.32: \$416,964,000 divided by 946,260 investors = \$441.

Between 81% and 85% of individuals reporting rental income earned less than \$60,000 total income each year.<sup>5</sup> Even for individuals earning over \$50,000 in total income per year, the average net rental income in the year 2000 was only \$15,936.<sup>6</sup>

Even among the owners in the third group, many are not wealthy. Some of the individuals own a 10 or 12 unit building as their main source of retirement income. Others own a 50-unit building as a partnership of several people. A recent trend has seen numerous sales from private corporations or individuals to REITs, pension plans and publicly traded corporations. The holdings of such entities are wide-spread like other stocks. Through pension plans, the ultimate owners are ordinary working Canadians.

However, the view of landlords as wealthy, high-income earners has often tainted the public policy process, both as to housing policy and as to tax policy.

### **There is a problem with the affordability of housing**

According to CMHC, the better off two thirds of tenants pay, on average, only 20% of their income in rent. This large group has no problem affording their housing. The other one third of tenants have a significant problem – on average, they pay 48% of their income in rent. See Figure 1.

**Figure 1: Renter Household Income and Shelter Costs, 2001**

	Number of Households	Average Annual Income	Average Monthly Shelter Cost	Average STIR <sup>7</sup>
Renter Households Living in or Able to Access Acceptable Housing	2,565,005	\$47,574	\$668	20%
Renter Households Unable to Access Acceptable Housing - In Core Housing Need	1,010,950	\$16,529	\$601	48%

These are figures obtained from CMHC's Canadian Housing Observer 2005, Table 20 - Household Income and Shelter Costs by Housing Conditions and Tenure Canada, Provinces and Territories, 2001 (includes revised 2001 core housing need estimates).

Our industry agrees that something must be done about this problem. To determine where society should focus our efforts on a solution, we must take a closer look at the problem.

### **What is the problem? Is there a housing supply shortage?**

Some people say there is a shortage of affordable housing. That position is incorrect. The chart below shows additions to the supply of rental housing in the market in comparison to new rental households in Ontario based on census data.

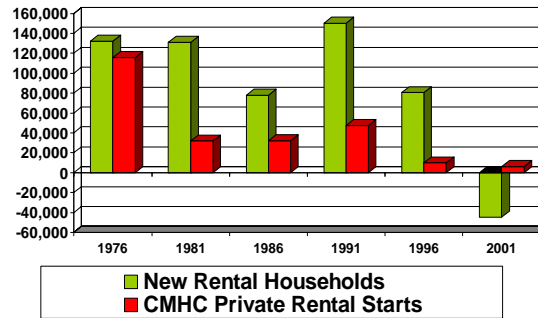
<sup>5</sup> Canada Mortgage and Housing Corporation. 2002. Research Report: An Evaluation of Housing Taxation Measures. Ottawa: Canada Mortgage and Housing Corporation. p.33

<sup>6</sup> Calculated from Table 2-2 *ibid*, p.34. (\$421,490,000 + \$336,652,000 + \$738,510,000) divided by (46,958 + 19,956 + 27,004), i.e. \$1,496,652,000 divided by 93,918 = \$15,936.

<sup>7</sup> CMHC, Canadian Housing Observer, Table 20: STIR=Shelter cost to income ratio in per cent.

Figure 2

### Net Additions to Rental Stock, Previous Five Years, Ontario



Sources: CMHC and Statistics Canada Census, various years.

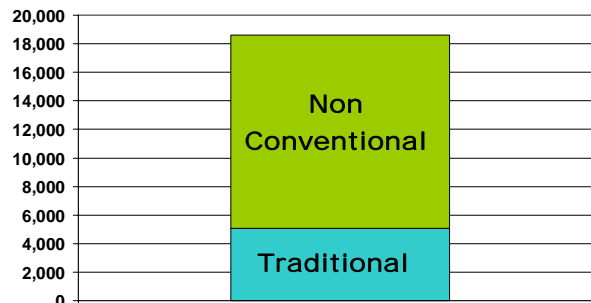
As measured by CMHC, rental supply hasn't correlated particularly well with rental growth for the last 25 years. CMHC measures conventional rental housing supply, which consists of rental units in buildings of three or more units. It ignores rentals of single condominium units, of single family homes and of secondary suites.

For the last 25 years most of the new rental supply has come from "non-conventional sources", including single condominium units, single family homes and secondary suites. Figure 3 shows the split for the period 1986-1996.

Figure 3

### Average Annual Private Rental Housing Supply by Type

Ontario, 1986-1996

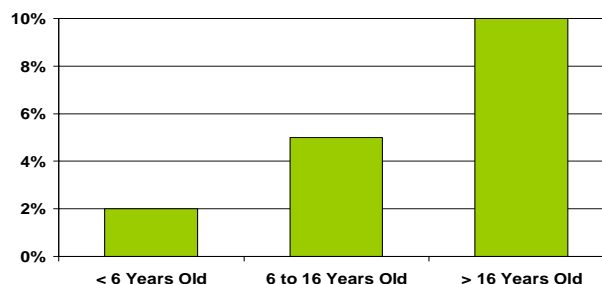


Source: Clayton Research Associates based on CMHC and Census data.

The dominance of non-conventional supply has continued since 1996, and applies across Canada. Besides condominiums and converted buildings, there is considerable rental supply in single family homes. Figure 4 shows how the proportion of single-family homes which are rented moves from 2% to 10% as those homes age. There are more than 6,600,000 single family homes in Canada (at 2001); of them 620,150 were rented.

Figure 4

### Percent of Single Detached Stock That is Rented, Ontario



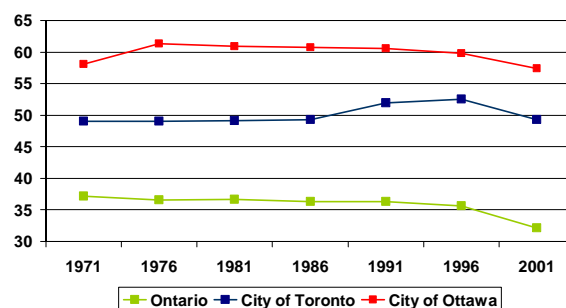
Source: Marion Steele (1991) based on HIFE data.

There are massive conversions from the ownership stock to rental use that are never discussed. Some municipalities want to stop conversions from rental use to ownership, but there is a gigantic wave of properties going from owner occupation to rental use. For all those reasons, there is actually a great deal of rental supply.

In addition, when you look at the percentage of renters across Canada, there is generally a downward trend in renting. There is a move to home ownership as we become wealthier in society, but the major urban centres are certainly not having any difficulty keeping a large percentage of the population as renters.

Figure 5

### Percent of Households Renters Toronto, Ottawa and Ontario



Source: Census, various years.

In the last few years, the balance of rental supply to demand has tilted even more in the direction of supply. Much affordable rental housing has become available as tenants at the middle and upper levels of the market have bought houses due to low interest rates. There has been a general movement upward through the rental market and out of the rental market making many lower rent units available to those who need them. As CMHC wrote in 2002: "The strong housing market this year meant that many renters chose to become homeowners, as low interest rates continued to stimulate the demand for housing."<sup>8</sup> CMHC made similar comments in its 2003, 2004 and 2005 reports.

<sup>8</sup> CMHC, *Rental Market Survey Report (Ottawa)*, October 2002, at p. 1.

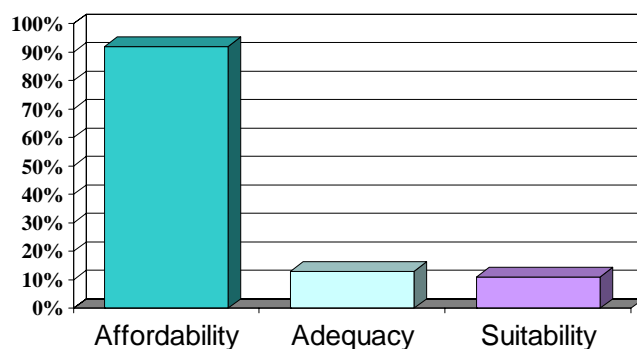
Some people argue that even if rental supply is ample overall, the supply is limited at the lower rent ranges. That position is incorrect. Since 2003 CMHC has published vacancy rates by rent range for a number of cities (CMAs). Those figures clearly show that the vacancy rate for low rent units is the same as or higher than the overall vacancy rates. For example, in Ottawa in 2003 the vacancy rate for bachelor apartments under \$500 per month (the lowest rent range) was 7.8% whereas for bachelors overall the vacancy rate was 3.4%. In Edmonton the vacancy rate for bachelors under \$500 was between 2.5% and 4.0% whereas for bachelors overall the rate was 2.3%. Similar above-average vacancy rates apply for most unit types for Toronto as well, and for those and other cities for 2004, 2005 and 2006. See Appendix A for more details.

All this means that the rental housing supply is sufficient at all rent levels. The problem has to do with whether tenants can pay the rents in question.

According to CMHC “housing affordability remains the leading factor contributing to core housing need in Canada by a significant margin.”<sup>9</sup> Put in other words, most Canadians in core housing need are in need because their incomes are too low to afford their rent. Their housing is in good physical condition (adequate) and large enough for them (suitable). See Figure 6 below.

**Figure 6**

### Core Need Problem in Canada by Type of Problem, 2001



Source: Engeland et al, 2004.

Besides that, we may well be able to solve most of the problems of adequacy and suitability by addressing the renters' income problems, so that they can afford to obtain housing that is suitable and adequate.

What can we do about the affordability problem? Can the provinces help low income tenants by regulating the price of housing?

### **Rent control can never make rents low enough**

The generally accepted benchmark is that a household has a problem affording

<sup>9</sup> CMHC, Canadian Housing Observer, 2003, 2004 and 2005

their housing if more than 30 per cent of their income goes to housing.<sup>10</sup> Figure 7 shows what rent that percentage translates to for households at various incomes:

**Figure 7**

Annual income	Monthly income	30% of monthly income
\$35,000	\$2,917	\$875
\$30,000	\$2,500	\$750
\$25,000	\$2,083	\$625
\$20,000	\$1,667	\$500
\$15,000	\$1,250	\$375
\$12,500	\$1,042	\$313
\$10,000	\$833	\$250
\$8,000	\$667	\$200
\$5,000	\$417	\$125

The Thom Inquiry was set up during the 1980s to examine Ontario's policies on residential tenancies. Thom raises the "essential question," which is: "[H]ow cheap can rents be, given the economic realities of the Ontario housing market"?<sup>11</sup>

The "real problem facing households with an affordability problem," says Thom, "is not that rents are too high, but that their incomes are too low."<sup>12</sup>

Thom states categorically: "[R]ent regulation cannot resolve the housing affordability problem of low-income households."<sup>13</sup> He goes on to express the results of the extensive research done for the inquiry:

It is evident that while a rent regulation system which holds rents below fair market rents will significantly reduce the payments made to landlords from tenants, relatively little of the resulting tenant benefit will actually accrue to low-income tenants. The fact that all [current] tenant households benefit may make a restrictive rent regulation system popular but it does not make it an effective measure for assisting low-income households.<sup>14</sup>

<sup>10</sup> However, there is a growing view that the 30% rule of thumb is too inflexible. Depending on their income level and age, it may be perfectly reasonable for single people or couples to pay more than 30% of their income for their housing. See Appendix B for examples. Other countries use housing affordability measures that consider how much income per family member is left over after paying for housing. A thorough review of the 30% standard should be undertaken.

<sup>11</sup> Stuart Thom, *Report of the Commission of Inquiry into Residential Tenancies*, Vol. II, at p. 123 (the "Thom Inquiry").

<sup>12</sup> Thom Inquiry, at p. 124. In Thom's view, rent controls are counterproductive because they reduce the supply of housing from the private sector, and they interfere with low income people gaining access to rental units.

<sup>13</sup> Thom Inquiry, at p. 129.

<sup>14</sup> Thom Inquiry, at p. 129.

Thom sums this effect up in a sentence: “[A] rent regulation policy which holds rents below fair market rent level causes severe problems . . . because investors will go elsewhere if they do not anticipate being able to make a competitive return on investment in rental housing.”<sup>15</sup> The problem is not that rents are too high, or that there are no units available; the problem people have is that their incomes are not high enough to afford even the most inexpensive units. This is an income problem, not a pricing problem.

### **How does rent control hurt low-income citizens?**

Rent control can result in tenants with very low incomes being squeezed out of the rental market. How does this happen?

- Due to lower returns on investment less rental housing is built. This results in fewer rental units being available than if there were no rent controls.
- When rent control is effective to keep rents below market level, all current tenants get the benefit of paying less than the market would dictate. That skews the price comparison between renting and owning and leads middle- and higher-income tenants to stay in their rental units rather than switch to home ownership. That leaves fewer units available for poor tenants.
- If the two previous factors result in a low vacancy rate, some landlords will choose to rent to those applicants who have the better tenant references and incomes. That applies especially if every landlord is restricted in the rent he or she can charge for every unit even on turnover.<sup>16</sup> That means that the lower income tenants can have difficulty finding apartments.
- Lower income tenants tend to be the tenants who miss rent payments and are forced to move. They are the ones who have to face the housing shortage caused by rent control.

Through these four mechanisms, rent control hurts low income tenants, the very people that its proponents are trying to help.

What low-income citizens are facing is an income problem, not a rental-housing problem. They have trouble paying for clothing, for food and for housing. Attempting to solve the income problem by controlling what the makers and sellers of housing charge addresses only one cost item. Rent control is an attempt to solve an income problem (a problem for society as a whole) by transferring income from landlords to tenants.

Even though some tenants have a problem in paying for adequate housing, tighter rent control is a badly targeted remedy. While helping some low-income tenants in the short term, tighter rent control would also transfer a significant amount

---

<sup>15</sup> Thom Inquiry, at p. 130.

<sup>16</sup> Fortunately for low-income tenants, most of the provinces which have rent control have moved to allow rents to be increased on turnover. That provides a level playing field in seeking apartments, and allows low-income tenants more access to low-rent units than occurs with strict rent control including rent control on turnover.

of income from landlords to middle- and high-income tenants, who have absolutely no need for income support.

In the mid-1980s, after some 10 years in the rent control system, Thom wrote that “it is evident that Ontario’s system of rent regulation has done little to alleviate the problem for those households with the most severe affordability problem.”<sup>17</sup> Furthermore, Thom stated that in a “rent regulation system which holds rents below fair market rents . . . little of the resulting tenant benefit will actually accrue to low-income tenants.”<sup>18</sup>

### **So, if rent control won’t work, what solutions will? What about building more affordable housing?**

Many poverty advocates and public housing stakeholders lobby government to use public funds to build new rental units, to be owned and managed by government agencies or non-profit providers. These advocates and public housing stakeholders argue that there is an inadequate supply of rental housing, and that the private sector will not build affordable housing units.

As we have seen, there are plenty of rental units available for rent at all rent levels. The real and current housing problem in most of Canada is not the supply of housing: rather, it is the fact that some households cannot afford their housing.

The costs of building new housing mean that it cannot be “affordable housing”. The only way it is made to appear affordable is through very heavy government subsidies. It is obvious that new construction will include the latest standards and most modern finishes and designs. Inevitably, new housing of whatever size will be more costly than older housing. As a matter of good sense, those who need affordable housing should be finding that housing in the existing housing stock.

Appendix C shows some examples of the costs of some “affordable housing” projects in Ottawa and Toronto during 2003 and 2004. The total cost per unit ranges from \$118,000 to \$192,000. The federal government subsidy was between \$25,000 and \$51,727 per unit, while the total subsidy of all levels of government was between \$34,462 and \$70,000 or more per unit. As a further example, the City of Ottawa is now proceeding with several social housing projects at an average cost of \$168,180 per unit. Those units will be subsidized at between an average of \$114,700 per unit so that they can be rented at an average rent of \$754 per unit. Meanwhile in the existing rental stock the average two bedroom apartment rents for \$920 per month. The capital subsidy of \$114,770 per unit achieves an average rent saving of \$166 per month or \$1,992 per year. Similar relative costs and benefits exist everywhere across Canada<sup>19</sup>.

We will go into more detail on this below on page 11, but see Figure 8 below for another illustration of how much more expensive new “affordable housing” construction really is. Figure 8 considers the costs of the capital contributions on an

---

<sup>17</sup> Thom Inquiry, at p. 125.

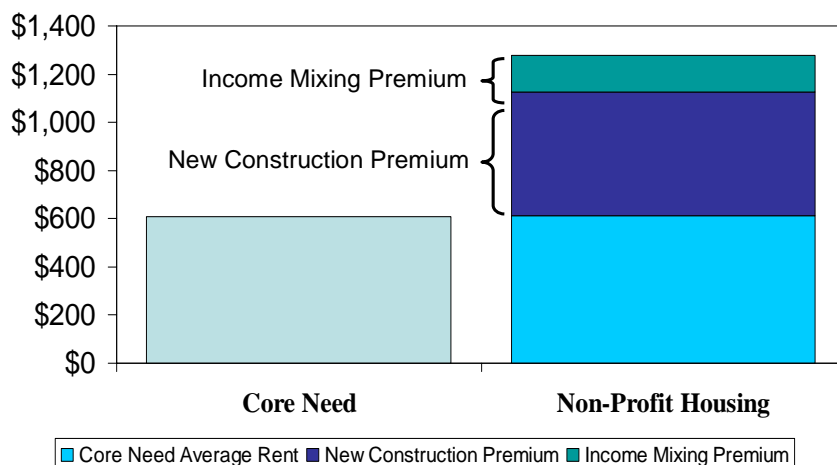
<sup>18</sup> Thom Inquiry, at p. 129.

<sup>19</sup> We agree with subsidies for new construction for special needs housing, and with subsidies tied to units for those with support needs who are best served by such supportive housing. In general, supports should not be tied to rental units so that those who need supports can still stay in their homes or choose to move to different units of their choice.

on-going basis (i.e. the interest cost) using Ontario government data for 1996. Much new non-profit housing had been built from 1990 to 1996; therefore the costs shown are the average of many units. The cost difference discussed in the previous paragraph is shown as the new construction premium. The additional extra cost, the income mixing premium, reflects the need to subsidize some units for moderate income people to achieve a mix of incomes and avoid ghettoization. Within the existing rental stock, significant income mixing occurs without an added cost to the government.

**Figure 8**

### Average Monthly Non-Profit Housing Cost vs. Average Shelter Cost of Core Need Household, 1996



#### **But when the affordable housing unit is paid for, aren't we better off?**

Because it was new, the full cost of modest new rental housing in Ontario was at least \$500.00 per month more than the current average rent for a unit of the same size in 1996. That is \$6,000 per year. That annual extra cost of \$6,000 would decline slowly over 25 or 30 years until the cost becomes less than renting. However, carrying the extra cost incurs interest. Even at 5% interest, the decline in the extra cost is offset by the interest cost. Because of the interest cost of carrying the extra upfront cost, the \$6,000 extra annual subsidy **cost paid to build each new housing unit never disappears.**

#### **What about portable housing allowances?**

A housing allowance is a government subsidy that reduces a family's or an individual's housing costs. The essence of a housing allowance is that the subsidy is for a particular household rather than for a specific housing unit. The household chooses from among potentially available housing units. In this way, a housing allowance is portable and works on the demand rather than the supply side of the housing market.

In September 2000, the Ontario government created a Housing Supply Working Group, a joint government-industry-labour group, to develop a comprehensive

strategy to get the private sector back into building new rental accommodation. The group was co-chaired by Richard Lyall, President, Residential Construction Council of Central Ontario, and Janet Mason, Assistant Deputy Minister, Ministry of Municipal Affairs and Housing. Full-time members included the Metropolitan Toronto Apartment Builders Association, the Laborers' International Union of North America Local 183, the Ontario Home Builders Association, the Fair Rental Policy Organization, the Urban Development Institute, the Greater Toronto Home Builders Association, the Toronto Board of Trade and the Ministry of Municipal Affairs and Housing. Part-time members included representatives from municipal governments, other provincial ministries, the Ontario Non-Profit Housing Association, and the banking and investment industries.

Despite the strong interests of most of the members in seeing recommendations in favour of subsidies for new construction, the Working Group indicated that portable housing allowances have the following advantages over supply side strategies:

- 1) They are less costly. They can provide an equal level of affordable housing for significantly less than the cost of new construction, which tends to have a premium associated with it;
- 2) They provide horizontal equity. It is easier to ensure that people of equal need are subsidized to the same extent. A key problem with public housing has been the lottery aspect of it in that some needy households are fortunate and able to obtain it while others in similar circumstances receive no form of subsidy;
- 3) They provide maximum choice. Households are given a portable subsidy that can apply to whatever rental housing they choose; and
- 4) Affordability is immediately and directly addressed. Unlike some supply side programs where it is difficult to ensure ongoing or even initial affordability, shelter subsidies clearly increase affordability on an immediate and sustained basis.

To summarize, the rental housing market works at all levels, subject only to the income problem that some tenants face. The way to solve the “affordable housing problem” is to address affordability by providing portable housing allowances for low-income people to obtain the housing they need in the market-place. Besides their lower cost in the short and long term, portable housing allowances have other advantages. They are flexible. They can be delivered immediately. The money available for affordable housing can be spread equitably among all low income tenants. Low income tenants can live where they want, and take the allowance with them when they move, thus enhancing labour mobility and economic competitiveness for Canada.

### **How much do portable housing allowances cost?**

The primary reason that portable housing allowances are cost effective is because they match low-income households with the existing affordable housing. New construction is extremely expensive in comparison to existing housing. To illustrate these points, we set out below a cost estimate for providing affordable housing through broadly based portable housing allowances in the City of Ottawa for the period for 1997 to 2001.

As our example, we consider the comparative costs for providing a 2-bedroom apartment. First, to estimate ability to pay, we have taken the minimum wage as \$7.15 per hour, and assumed one wage earner at that rate for 40 hours per week and another wage earner at that rate for 20 hours per week. Average monthly income would be \$1859. Thirty percent of that is \$558.

Second, one must understand that the CMHC average rent figures are mean averages. Mean averages give a skewed idea of the true range of rents, as opposed to median averages. In the rental market there are few units dramatically below the mean average but there are upscale units with rents significantly above the mean average. Only one of the latter “funds” several of the former. We suggest that Figure 9 gives a realistic picture of the various rents that would make up a CMHC average rent of \$914 per month. Note that the median of the sample of rents (the middle value, shown in bold) gives a much better idea of the rent for an “average” 2 bedroom unit than the calculated mean average figure.

**Figure 9: Normal rent distribution**

Unit	Rent (\$ per month)
A	700
B	700
C	725
<b>D (Median)</b>	750
E	825
F	1125
G	1575
<b>Mean Average</b>	<b>914</b>

Third, low-income tenants may not even tend to rent the average (median) unit. Since they are in the lowest 25th percentile of income, they may tend to rent the two least expensive units. In Figure 9, the low-income tenants would tend to rent the two units at \$700 per month.

In our example, 80% of \$914 is \$731. This is higher than the two rents of \$700 which the Figure 10 example, below, suggests would be occupied by low-income tenants. Thus, we believe 80% of the mean average rent is a reasonable estimate of the true normal rental cost for a low-income tenant.

**Figure 10: Portable Housing Allowance Cost - 2001**

	Item	Amount
A	Average 2 BR rent (mean average)	\$914 per month
B	Typical unit occupied by low-income resident (80%)	\$731 per month
C	Affordable rent	\$558 per month
D	Subsidy required (B-C)	\$173 per month
		\$2,076 per year
	Cost for 10,000 subsidies	\$20,760,000 per year

In other years, the cost of a portable housing allowance would be less. For example, five years earlier the average rent was \$729. In that year, assuming the same hours worked at minimum wage at that time, the cost of a portable housing allowance program would have been as shown in Figure 11.

**Figure 11: Housing allowance cost - 1997**

	Item	Amount
A	Average 2 BR rent (mean average)	\$729 per month
B	Typical unit occupied by low-income resident (80%)	\$582 per month
C	Affordable rent	\$534 per month
D	Subsidy required (B-C)	\$48 per month
		\$576 per year
	Cost for 10,000 subsidies	\$5,760,000 per year

Over the five years from 1997 to 2001, the average cost of a portable housing allowance program would have been \$13,500,000 per year. The portable housing allowance cost would have been 0.75% of the City's 2003 operating budget of \$1.8 billion (or 20% of the City's current \$65 million cost for public and social housing).

Compare those costs with the average cost of constructing and providing new "affordable" housing as shown in Figure 12.

**Figure 12: Cost of constructing new "affordable" housing units**

	Construction cost	\$120,000
	Mortgage interest at 5%	\$500 per month
	Realty Taxes	\$200 per month
	Heat & water	\$150 per month
	Small repairs	\$50 per month
	Reserve for major repairs	\$100 per month
	Superintendent & management	\$100 per month
A	Total on-going cost	\$1,100 per month
B	Affordable rent	\$558 per month
C	Subsidy (A-B)	\$542 per month
		\$6,504 per year
	Cost for 10,000 subsidies	\$65,040,000 per year

Note that the principal is not being paid off. Note also that the capital cost of 10,000 units would be \$1.2 billion.

### **Housing allowances are more cost-effective than new housing construction**

Over the five years from 1997 to 2001, the average annual cost of a portable housing allowance program for the City of Ottawa would have been \$13,500,000 per year. Had we built our way to a solution, the ongoing cost would have been \$65,000,000 per year

(in addition to the \$65,000,000 already being spent). And under the latter approach, we would have used up \$1.2 billion of the borrowing capacity of the City or the Province.

The cost difference varies in different years depending on the point in the business cycle. A housing allowance program will cost more in boom years (when rents are relatively high and vacancies are relatively low) than the same program will cost in years when the economy is weak (when rents are relatively low and vacancies are relatively high), but in every year housing allowances cost much less than new construction. New construction itself also varies in cost, and is more costly in boom years and in booming areas, when labour and material costs are relatively high. Over the business cycle and across provinces, those differences within each program average out, but the cost difference between the programs remains similar.

Opponents of housing allowance programs argue that they work well in years (or areas) of high vacancy, but not in years (or areas) of low vacancy. That is a fallacy. People with low incomes continue to live in rental units in years of low vacancy. People with low incomes continue to occupy rental units at the lower end of the rent spectrum in years of low vacancy. People with low incomes continue to have difficulty affording their rent and all their other necessities in years of low vacancy, and in years of high vacancy. People with low incomes have difficulty affording their rent and all their other necessities in areas of low vacancy, and areas of high vacancy. Housing allowances work well for them and for society in both years of low vacancy and years of high vacancy, and in both areas of low vacancy and areas of high vacancy. Depending on its design, the cost of a portable housing allowance program will probably vary with the economic cycle and the area, but at all points and in all areas it will be much less costly than new construction.

Note also that while the cost of both programs varies with the tenants' income levels, the savings do not depend on how low the tenant's income is. See Figure 13 below.

**Figure 13: Annual costs and cost savings by tenant income**

Tenant Household's Annual Income	Affordable Rent	Annual Cost of		
		Portable Housing Allowance Program	New Housing	Annual Savings (per household)
\$15,000	\$375	\$3,546	\$8,700	\$5,154
\$20,000	\$500	\$2,046	\$7,200	\$5,154
\$22,308	\$558	\$1,350	\$6,504	\$5,154
\$25,000	\$625	\$501	\$5,655	\$5,154

### **Crowding out effect**

Moreover, there is a tendency to overstate the beneficial results of direct subsidies. People often assume that if \$50,000 is spent to subsidize a unit (costing say \$120,000), then there is one more rental unit available than if the \$50,000 had not been spent. In fact, many "affordable" housing units are built in such locations and of such quality that they compete directly with the private sector. As such, they crowd out private development, through using the most available land, through using the available mortgage financing and through taking the only tenants with effective demand.

Even if an additional new rental unit is built, the new unit may crowd out an existing unit by making rehabilitation not cost-effective, so that an existing unit is demolished. In

his research on the United States, Murray found that in many market environments new subsidized production crowded out private supply one-for-one.<sup>20</sup> It can easily be that the \$50,000 per unit subsidy expenditure may have produced no additional housing at all. Any increase in the private rental housing supply due to portable housing allowances or tax changes would be an improvement on those possible results of direct subsidy programs, even if the increase in private supply were only through continued repair and rehabilitation of the existing housing supply.

### **Federal government limits continue to be a problem**

Yet despite the high relative cost of building new housing, the federal Affordable Housing Program tied the Provinces to using the federal money to defray the capital cost of construction. The Provinces could cost-match by providing rent supplements for the units or portable housing allowances in other units, but until 2005 the federal contribution had to be used for new construction. In 2005 that limitation was removed in principle, but there are still significant restrictions on the use of the federal housing funding.

### **Current Provincial Housing Allowance Programs**

Currently four Canadian provinces have limited housing allowance programs, namely British Columbia, Saskatchewan<sup>21</sup>, Manitoba and Quebec. Depending on the province, the programs are open to senior citizens or families with children or the disabled. The main current program parameters are set out in Appendix D. Set out below are some observations about the current provincial programs made in CMHC's 2006 report, *Housing Allowance Option for Canada*.<sup>22</sup>

The first Canadian housing allowance program was started in B.C. in the late 1970s, motivated by the desire to help low-income elderly tenants paying high rents, particularly in Vancouver. Over time, other provinces adopted the B.C. idea.

Contrary to initial concerns, the provinces found that costs are not explosive; in fact program costs have tended to decrease over time.<sup>23</sup> The average monthly allowance at 1981 and 2002-2003 is set out in Figure 14.

**Figure 14: Average monthly allowances in existing provincial programs (in 2002-2003 dollars)**

-	1981	2002-2003
British Columbia	\$113	\$117
Manitoba-elderly	\$122	\$80
Manitoba-family	\$160	\$127
Quebec-elderly		\$56
Quebec-family		\$54
Source: Housing Allowance Options for Canada, CMHC, 2006, p.27		

After some years of experience, Manitoba and Quebec decided to reduce the minimum age for eligible households to 55. In addition, Manitoba broadened eligibility to families. Among Canadian provincial programs, only Quebec includes homeowners as well as renters.

To control costs and mitigate work disincentives,<sup>24</sup> current provincial partial gap

<sup>20</sup> Michael P. Murray. 1999. "Subsidized and Unsubsidized Housing Stocks 1935 to 1987: Crowding out and Cointegration." *Journal of Real Estate Finance and Economics*, 18 - 1 107 -124.

<sup>21</sup> Saskatchewan began its program within the last 18 months.

<sup>22</sup> Abt Associates, 2006.

<sup>23</sup> Housing Allowance Options for Canada, CMHC, 2006, p. 27.

programs have additional formula parameters or constraints. B.C. has variable parameters that become more generous as income declines. To avoid the serious work disincentive, it is considered important to ensure that the marginal effective tax rate of adults in prime working years is never extremely high.

A repeated finding from the provincial housing allowance programs is that not all eligible people apply as. As well, receipt of the allowance induces very few, if any, moves to another unit. A Manitoba survey asked those who had not moved why they had not: 89% of recipients said they were satisfied with their present residence; 76% said they were close to amenities and services.<sup>25</sup>

The Canadian provincial housing allowances do not result in rent inflation either for recipients or for the housing market as a whole. Households understand the importance of controlling their housing costs in a Partial Gap Coverage program. A comparison of increases in the rental component of the CPI between cities with housing allowances and similar, non-allowance cities shows no differences.<sup>26</sup>

The current partial gap programs are aimed at helping the problem of housing affordability and they do this well, either by reducing the number of households in core need or by reducing the severity of core housing need for households.<sup>27</sup>

### **Possible Housing Allowance Programs**

The same CMHC report, *Housing Allowance Options for Canada*, included detailed cost estimates of various possible programs. The report considers the following design, eligibility and implementation options:

As to **design options**, the report considers:

1. Full Affordability Gap Coverage
2. Partial Gap Coverage (the report uses 75%)
3. Flat Subsidy (the report uses \$1,000 per year)
4. Rent Co-Payment (the report uses 20%)

Within those four options, the report considers six **eligibility options** for specifying the population eligible to participate in the housing allowance program:

- A. All households in core housing need (both renters and homeowners)
- B. Program size limited by a waiting list to meet a specific budget
- C. Program size based on household income
- D. Program size limited by current rent burden
- E. Limiting the program to renters
- F. Limiting the program based on household type, such as older residents

The report then considers four possible **implementation options**:

- i. Federal Government through income tax filing system
- ii. Federal government, but outside the income tax system
- iii. Federal-provincial, cost shared program permitting provincial discretion over some program features
- iv. A block grant program with national purposes and eligible uses of funds, but substantial provincial discretion over program design

---

<sup>24</sup> Work disincentives apply to any social welfare program which is targeted to those with low incomes. The work disincentive problem also applies to social or public housing, where rents are normally geared to income.

<sup>25</sup> Ibid, pp. 27-28.

<sup>26</sup> Ibid, p. 28.

<sup>27</sup> Ibid, p. 29.

Housing allowance programs are often open enrolment or entitlement programs, for all households below an income threshold, and in many cases other criteria related to the type of household. However, housing allowances can be rationed (e.g. by a waiting list) to ensure that a budget limit is not exceeded.

The report notes that the case for using housing allowances compared with housing supply subsidies rests on several premises:

- Fairness, or horizontal equity
- the view that choice promotes greater value in the subsidy
- the view that choice promotes self-reliance and self-respect
- the view that dispersal of low-income families is better than concentration
- Empirical evidence that supply-side subsidies cost more
- The greater feasibility of providing a modest subsidy to a large number of households for a demand-side program
- the wish to avoid adding unnecessary capacity in markets with vacancies.<sup>28</sup>

The subsidy formula is usually based in part on the household's income and in part on housing costs, but formulas differ and are often quite complex.<sup>29</sup>

The larger the subsidy, the larger the potential impacts will be on recipient housing. Under any implementation option, a program can be designed that has an effect on housing consumption and avoids inflating rents.<sup>30</sup>

The impact on demand depends on whether the subsidy is used primarily to reduce rent burden in the current unit or whether it is used to move to new units or create new households. The impact also depends on the size of the allowance program relative to the overall market. To the extent that there is an impact from housing allowances on local housing markets, the impact depends on the rent caps allowed in the program and how they relate to local market rents, as well as on the number of assisted households.<sup>31</sup>

A housing allowance may have a positive effect on work incentives for social assistance recipients by lowering the "welfare wall." If a housing allowance is paid based on income and shelter costs (and perhaps other criteria) regardless of whether the recipient is on assistance or working, then recipients will no longer face as high a financial loss upon leaving social assistance. One of the central objectives of many social programs is to reduce poverty. A housing allowance will reduce poverty if it is well targeted and provides additional income or benefits to poor people.<sup>32</sup>

For some of the programs evaluated in the report, the costs appear to be high. See Appendix E. That is because the costly programs provide substantial benefits to a large number of people.

In CFAA's view, what needs to be done to advance the issue is the following:

- 1) a review of the 30% affordability standard; and
- 2) the determination of a series of practical options for a national housing allowance program which combine various limits on the possible program options in practical ways.

---

<sup>28</sup> Ibid, p. 20.

<sup>29</sup> Ibid, p. 21.

<sup>30</sup> Ibid, p. 77.

<sup>31</sup> Ibid, pp. 81-82.

<sup>32</sup> Ibid, pp. 84-85.

In pursuing practical options, regard should be had to the current provincial programs, which are very successful and operate at a reasonable cost.

## Conclusion

The choice is clear. Housing allowances cost much less than constructing new “affordable housing”, and preserve borrowing capacity for other infrastructure needs<sup>33</sup>.

Besides their lower cost in the short and long term, portable housing allowances have other advantages. They are flexible. They can be delivered immediately. The money available for affordable housing can be spread equitably among all low income tenants. Low income tenants can live where they want, and take the allowance with them when they move; therefore **portable housing allowances enhance labour mobility and economic competitiveness for Canada.**

After his exhaustive inquiry from 1983 to 1986, Commissioner Thom reached the same conclusions as we have demonstrated above:

- "Rent regulation is not an appropriate means of alleviating affordability problems because the negative consequences of restrictive regulation outweigh the benefits realized by low-income households,"
- "The costs associated with socially assisted housing are high and no level of government has the funds to meet fully the demand for assisted housing. ... **assisting low-income households primarily through publicly financed housing would be a massive and expensive undertaking.**"
- Budgetary programs, such as a **portable housing allowance, can do much to ease the affordability problem of low-income households.**<sup>34</sup>

We urge you to take full account of these points in deciding what government policies can best help low income people satisfy their housing needs.

## Requests

In the long term we submit that the solution to Canada’s affordable housing problem is a National Portable Housing Allowance System. In the short term, we ask you to **review the 30% affordability standard** and to develop realistic options for a housing allowance program. CFAA would be happy to work with you in that development work.

In the very short term, we ask that you **lift the remaining restrictions on the use of the federal housing money**, so that if the provinces choose, the money can be freely used for rent supplements or portable housing allowances on an *in-situ* basis in existing units, rather than for new construction or to access only vacant units.

We would also appreciate your help to **encourage the Department of Finance to take housing policy into account when making or revising tax policies that affect rental housing**. Specifically, the policy goal of keeping rental housing affordable seems to have been given no attention while the tax rules applicable to rental housing have been made steadily tighter since 1972. Even though the current rental housing supply is sufficient, current tax policies mean that the rental housing supply comes at higher costs than are fair or reasonable. See our separate paper on tax reforms for rental housing.

---

<sup>33</sup> We agree with subsidies for new construction for special needs housing, and with subsidies tied to units for those with support needs who are best served by such supportive housing. In general, supports should not be tied to rental units so that those who need supports can still stay in their homes or choose to move to different units of their choice.

<sup>34</sup> Thom Inquiry, at pages 132 and 134.

## APPENDIX A

### Vacancy by rent level - 2003

CMHC's vacancy figures for 2003 (see Figure 2, below) show that these forces have translated into higher vacancy rates at the lower end of the market in Ottawa, Toronto and Edmonton (the only cities for which CMHC published this data in 2003.).

**Figure 2: 2003 Vacancy Rates by Rent Range and Apartment Type**

<b>Bachelor</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>
under \$600	4.4	under \$500	7.8	under \$400	2.5
\$600-\$699	5.9	\$500-\$599	3.9	\$400-\$499	4.0
\$700-\$799	3.6	\$600-\$699	3.0	\$500-\$599	0.6
\$800-\$899	3.8	\$700-\$799	2.7	\$600-\$699	1.2
\$900-\$999	6.1	\$800-\$899	n/a	\$700-\$799	n/a
\$1000 & over	n/a	\$900 & over	n/a	\$800 & over	n/a
<b>Total</b>	<b>4.4</b>		<b>3.4</b>		<b>2.3</b>
<b>One Bedroom</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>
under \$800	4.8	under \$600	3.9	under \$400	0.5
\$800-\$899	4.6	\$600-\$699	3.7	\$400-\$499	3.0
\$900-\$999	3.5	\$700-\$799	2.7	\$500-\$599	3.6
\$1,000-\$1,099	4.0	\$800-\$899	3.1	\$600-\$699	3.4
\$1,100-\$1,199	3.2	\$900-\$999	1.9	\$700-\$799	2.7
\$1,200 & over	2.2	\$1000 & over	5.8	\$800 & over	3.2
<b>Total</b>	<b>4.2</b>		<b>3.0</b>		<b>3.2</b>
<b>Two Bedroom</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>
under \$800	4.2	under \$700	0.8	under \$400	n/a
\$800-\$899	4.2	\$700-\$799	2.2	\$400-\$499	3.3
\$900-\$999	4.0	\$800-\$899	3.0	\$500-\$599	3.3
\$1,000-\$1,099	3.7	\$900-\$999	2.9	\$600-\$699	4.2
\$1,100-\$1,199	3.5	\$1,000-\$1,099	2.8	\$700-\$799	3.5
\$1,200 & over	4.1	\$1,100 & over	3.9	\$800 & over	4.1
<b>Total</b>	<b>3.9</b>		<b>2.9</b>		<b>3.8</b>

<b>Three+ Bedrooms</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>
under \$900	0.6	under \$900	2.1	under \$400	n/a
\$900-\$999	3.8	\$900-\$999	7.3	\$400-\$499	n/a
\$1,000-\$1,099	4.1	\$1,000-\$1,149	3.8	\$500-\$599	n/a
\$1,100-\$1,199	4.1	\$1,150-\$1,299	1.7	\$600-\$699	2.8
\$1,200-\$1,299	4.0	\$1,300-\$1,499	n/a	\$700-\$799	6.6
\$1,300 & over	3.6	\$1,500 & over	5.9	\$800 & over	3.2
<b>Total</b>	<b>3.8</b>		<b>4.2</b>		<b>4.2</b>
<b>All Units</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>	<b>Rent Range</b>	<b>Vacancy Rate</b>
Under \$800	4.6	under \$500	4.8	under \$400	1.7
\$800-\$899	4.4	\$500-\$699	2.9	\$400-\$499	3.3
\$900-\$999	3.8	\$700-\$899	2.8	\$500-\$599	3.3
\$1,000-\$1,099	3.8	\$900-\$1,099	2.9	\$600-\$699	3.8
\$1,100-\$1,199	3.6	\$1,100-\$1,299	3.3	\$700-\$799	3.6
\$1,200 & over	<b>3.7</b>	\$1,300 & over	5.7	\$800 & over	3.8
<b>Total</b>	<b>4.1</b>		<b>3.0</b>		<b>3.4</b>
<b>Source: Canada Mortgage and Housing Corporation</b>					

In Ottawa, the 2003 vacancy rate for all apartments under \$500 per month was a healthy 4.8%, nearly five times higher than the 2002 rate of 1.0% for the same units. (3% is considered to be a healthy market.)

For bachelor apartments the vacancy rates were: under \$500.00, 7.8%; \$500-\$599, 3.9%; and overall, 3.4%.

Likewise, for one bedroom apartments the vacancy rates were: under \$600, 3.9%; \$600-\$699, 3.7%; and overall, 3.0%.

Toronto's figures show just as much vacancy in lower rent units. The vacancy rate for all apartments under \$800 per month more than doubled in 2003, going from 2.1% in 2002 to 4.6% in 2003. The 2003 vacancy rate for two bedroom units under \$800 per month was 4.2% for 2003, more than four times the 2002 rate of 1.0%.

In Edmonton, the lowest priced bachelor apartments showed vacancy rates of 2.5% and 4.0%. For one bedroom apartments between \$400 and \$599 the vacancy rates were between 3% and 3.6%. Two-bedroom apartments were also available between \$400 and \$600, while three-bedroom units between \$600 and \$699 had a 2.8% vacancy, and those between \$700 and \$799 had a 6.6% vacancy rate.

Ample or even higher vacancy rates also applied to low-rent units for 2004 and 2005, as show below for Toronto, Ottawa, Edmonton, Vancouver, Victoria and Calgary. Those are the cities for which CMHC published that data for 2004 and 2005.

**Vacancies by rent level - 2004 (all units)**

<b>2004 Vacancy Rates by Rent Range</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>2004 Vacancy Rate</b>	<b>Rent Range</b>	<b>2004 Vacancy Rate</b>	<b>Rent Range</b>	<b>2004 Vacancy Rate</b>
Under \$700	5.0	Under \$700	5.1	Under \$400	4.2
\$700-\$799	5.2	\$700-\$799	4.2	\$400-\$499	6.8
\$800-\$899	4.8	\$800-\$899	4.0	\$500-\$599	6.1
\$900-\$999	4.7	\$900-\$999	2.9	\$600-\$699	5.5
\$1,000-\$1,199	4.4	\$1,000-\$1,199	4.3	\$700-\$799	4.6
\$1,200+	3.5	\$1,200+	4.4	\$800+	4.7
<b>Total</b>	<b>4.3</b>	<b>Total</b>	<b>3.9</b>	<b>Total</b>	<b>5.3</b>

CMHC, Rental Market Survey Reports for Toronto, Edmonton, and Ottawa, 2005, Tables 1.4

<b>2004 Vacancy Rates by Rent Range</b>					
<b>Vancouver</b>		<b>Victoria</b>		<b>Calgary</b>	
<b>Rent Range</b>	<b>2004 Vacancy Rate</b>	<b>Rent Range</b>	<b>2004 Vacancy Rate</b>	<b>Rent Range</b>	<b>2004 Vacancy Rate</b>
Under \$550	1.4	Under \$450	0.8	Under \$600	5.7
\$550-\$699	2.1	\$450-\$574	0.8	\$600-\$649	5.0
\$700-\$849	1.2	\$550-\$699	0.6	\$650-\$699	3.3
\$850-\$999	0.8	\$700-\$824	0.5	\$700-\$799	4.5
\$1,000 - \$1,149	0.8	\$825 - \$949	0.4	\$800-\$899	3.5
\$1,150+	1.0	\$950+	0.5	\$900+	6.0
<b>Total</b>	<b>1.3</b>	<b>Total</b>	<b>0.6</b>	<b>Total</b>	<b>4.3</b>

CMHC, Rental Market Survey Reports for Vancouver, Victoria, and Calgary, 2005, Tables 1.4

**Vacancies by rent level - 2005 (all units)**

<b>2005 Vacancy Rates by Rent Range</b>					
<b>Toronto</b>		<b>Ottawa</b>		<b>Edmonton</b>	
<b>Rent Range</b>	<b>2005 Vacancy Rate</b>	<b>Rent Range</b>	<b>2005 Vacancy Rate</b>	<b>Rent Range</b>	<b>2005 Vacancy Rate</b>
Under \$700	5.9	Under \$700	4.5	Under \$400	5.3
\$700-\$799	5.5	\$700-\$799	3.0	\$400-\$499	5.7
\$800-\$899	3.9	\$800-\$899	2.6	\$500-\$599	5.1
\$900-\$999	3.9	\$900-\$999	3.1	\$600-\$699	4.5
\$1,000-\$1,199	2.5	\$1,000-\$1,199	3.4	\$700-\$799	3.3
\$1,200+	2.3	\$1,200+	4.7	\$800+	3.6
<b>Total</b>	<b>3.7</b>	<b>Total</b>	<b>3.3</b>	<b>Total</b>	<b>4.5</b>

CMHC, Rental Market Survey Reports for Toronto, Edmonton, and Ottawa, 2005, Tables 1.4

<b>2005 Vacancy Rates by Rent Range</b>					
<b>Vancouver</b>		<b>Victoria</b>		<b>Calgary</b>	
<b>Rent Range</b>	<b>2005 Vacancy Rate</b>	<b>Rent Range</b>	<b>2005 Vacancy Rate</b>	<b>Rent Range</b>	<b>2005 Vacancy Rate</b>
Under \$550	2.0	Under \$450	0.4	Under \$600	2.3
\$550-\$699	2.0	\$450-\$549	0.8	\$600-\$649	1.8
\$700-\$849	1.4	\$550-\$699	0.5	\$650-\$699	2.0
\$850-\$999	1.1	\$700-\$824	0.4	\$700-\$799	1.4
\$1,000 - \$1,149	0.8	\$825-\$949	0.3	\$800-\$899	1.5
\$1,150+	0.8	\$950+	0.3	\$900+	2.8
<b>Total</b>	<b>1.4</b>	<b>Total</b>	<b>0.5</b>	<b>Total</b>	<b>1.6</b>

CMHC, Rental Market Survey Reports for Vancouver, Victoria, and Calgary, 2005, Tables 1.4

## APPENDIX B: HOUSING AFFORDABILITY STANDARD - IMPACT OF FAMILY SIZE

### Scenario 1: same income and rent (per month)

	<b>Julie</b>	<b>Esther</b>
<b>Julie's Income (single person)</b>	\$2,000	
<b>Esther's Income (single parent with three children)</b>		\$2,000
<b>Rent</b>	\$800	\$800
<b>Ratio</b>	40.0%	40.0%
<b>After rent income</b>	\$1,200	\$1,200
<b>After rent income per person</b>	\$1,200	\$300

Julie has plenty of money for food, clothing, transportation, entertainment and other needs. Esther has very little money for food, clothing, transportation, entertainment, diapers, child care and other needs. Yet according to the standard housing affordability measures Julie and Esther are equally badly off.

### Scenario 2: single has less income and lower rent

	<b>Pedro</b>	<b>Khaled</b>
<b>Pedro's Income (single person)</b>	\$1,200	
<b>Khaled's Income (single parent with three children)</b>		\$2,000
<b>Rent</b>	\$600	\$1,000
<b>Ratio</b>	50.0%	50.0%
<b>After rent income</b>	\$600	\$1,000
<b>After rent income per person</b>	\$600	\$250

Pedro still has adequate money for food, clothing, transportation, entertainment and other needs. Khaled has very little money for food, clothing, transportation, entertainment, diapers, child care and other needs. Yet according to the standard housing affordability measures Pedro and Khaled are equally badly off.

## APPENDIX C - SAMPLE COSTING FOR NEW SOCIAL HOUSING

### Ottawa Salus - Action Ottawa

Type of housing: Supportive housing for those recovering from mental illness

Cost: \$3,900,000

Number of units: 33

**Total cost per unit: \$118,182**

Federal subsidy: \$51,727 per unit (pending SCPI funding)

Provincial subsidy: \$2,000 per unit

City subsidy: \$44,033 per unit

Total subsidy: \$97,760 per unit

### Agudath Israel - Action Ottawa

Type of housing: Affordable housing for seniors

Cost: \$4,400,000

Number of units: 34

**Total cost per unit: \$129,412**

Federal subsidy: \$25,000 per unit

Provincial subsidy: \$2,000 per unit

City subsidy: \$7,462 per unit

Total subsidy: \$34,462 per unit

### Nepean Housing Corporation - Action Ottawa

Type of housing: Affordable housing - "targeted to low and moderate income" housing

Cost: \$9,300,000

Number of units: 62

**Total cost per unit: \$150,000**

Federal subsidy: \$25,000 per unit

Provincial subsidy: \$2,000 per unit

City subsidy: \$14,086 per unit

Total subsidy: \$41,086 per unit

### Trellis project by Let's Build, the City Toronto affordable housing program

Type of housing: Rental units for women and children moving out of shelters

Cost: \$4,600,000

Number of units: 24

**Total cost per unit \$191,667**

Federal subsidy: \$25,000 per unit

City subsidy: \$45,416 per unit

Total subsidy: \$70,000 plus per unit.

## APPENDIX D – CURRENT PROVINCIAL HOUSING ALLOWANCE PROGRAMS

	British Columbia	Manitoba	Quebec	Saskatchewan
<b>Extent of Participation</b>				
Seniors	Yes	Yes	Yes	No
Age eligibility	60	55	55	n/a
Families	No	Yes	Yes	Yes
Families headed by the disabled	Yes	Not specifically	No	Yes
Singles (non-senior)	No	No	No	No
<b>Subsidy Details</b>				
Percent of gap	37.5 % to 90% (varies based on income)	60 to 90% (varies based on income)	66.67%	See note A
Maximum rent (senior)	\$520 (1-P) \$575 (2-P)	\$405 (1-P) \$455 (2-P)	\$518	n/a
Maximum rent (family)	n/a	\$445 (2-P) \$480 (3-P) \$500 (4+)	\$518	?
Maximum benefit (seniors)	\$198 (single) \$175(couple)	\$170	\$80	n/a
Maximum benefit(disabled)	\$117	n/a	n/a	\$168
Maximum benefit (family)	n/a	\$180	\$80	\$113
<b>Average Rent 2003 (See Note B)</b>				
Bachelor	\$602	\$378	\$422	\$349
One-bedroom	\$695	\$504	\$501	\$467
Two bedroom	\$806	\$633	\$553	\$564
Three Plus Bedroom	\$917	\$760	\$653	\$619

Note A – The Saskatchewan calculation is based on a turning point formula. In other words a fixed subsidy is given to those who qualify subject to a reduction once the income increases above the “turning point.”

Note B – For the Census Metropolitan Areas in the relevant provinces the average one-bedroom rent increase from 2003 to 2004 was less than 2%. The increases in the province wide average rents and the increases for bachelors were not available.

## APPENDIX E - PARTICIPATION AND ANNUAL SUBSIDY COSTS OF HOUSING ALLOWANCES UNDER AFFORDABILITY GAP COVERAGE OPTIONS

Estimates extracted from the report *Housing Allowance Options for Canada*, prepared by Abt Associated Inc. for CMHC in 2006. The costs for other provinces are also produced in the Report and are available by contacting CFAA.

All of Canada	Number of households	Total annual cost	
		Full Gap coverage	75% of Gap coverage
Target is 30% of income for shelter			
A—All owners and renters in core need	1,431,000	\$2,457 M	\$1,843 M
E—Limits enrolment to renters only	1,095,000	\$1,868 M	\$1,401 M
C—Limits enrolment to households with incomes of \$20,000 or less	1,063,000	\$1,858 M	\$1,393 M
D—Limits enrolment to households currently paying a STIR of 50 % or more	487,000	\$1,382 M	\$1,036 M
F—Limits enrolment to those over 55 or 65	660,000	\$958 M	\$718 M
Target is 50% of income for shelter			
D2—Limits enrolment to households currently paying a STIR of 50 % or more	331,000	\$430 M	\$322 M

Sources: pages 54 and 56

Ontario	Number of households	Total annual cost	
		Full Gap coverage	75% of Gap coverage
Target is 30% of income for shelter			
A—All owners and renters in core need	630,000	\$1,266 M	\$949 M
E—Limits enrolment to renters only	447,000	\$908 M	\$681 M
C—Limits enrolment to households with incomes of \$20,000 or less	379,000	\$820 M	\$615 M
D—Limits enrolment to households currently paying a STIR of 50 % or more	201,000	\$674 M	\$505 M
F—Limits enrolment to those over 55 or 65	309,000	\$555 M	\$416 M
Target is 50% of income for shelter			
D2—Limits enrolment to households currently paying a STIR of 50 % or more	137,000	\$213 M	\$160 M

Sources: pages 132 to 141

Note: All estimates use 2002 data and 2002 dollars and have not been updated to reflect inflation, population growth, or economic and demographic changes since then. The cost estimates include only subsidy costs, that is the direct allowance payments and do not include any costs associated with administering the program. Page 52 of the report lists 10 factors which would affect the total program costs. Four of those factors would tend to reduce the costs; six of them would tend to increase the total costs.

<b>Alberta</b>	<b>Number of households</b>	<b>Total annual cost (\$)</b>	
		<b>Full Gap coverage</b>	<b>75% of Gap coverage</b>
Target is 30% of income for shelter			
A—All owners and renters in core need	80,300	127,875,000	95,906,000
E—Limits enrolment to renters only	54,420	92,986,000	69,739,000
C—Limits enrolment to households with incomes of \$20,000 or less	64,900	109,440,000	82,080,000
D—Limits enrolment to households currently paying a STIR of 50 % or more	28,240	82,075,000	61,556,000
F—Limits enrolment to those over 55 or 65	42,470	42,566,000	31,924,000
Target is 50% of income for shelter			
D2—Limits enrolment to households currently paying a STIR of 50 % or more	18,500	27,833,000	20,875,000

Sources: pages 132 to 141

<b>British Columbia</b>	<b>Number of households</b>	<b>Total annual cost (\$)</b>	
		<b>Full Gap coverage</b>	<b>75% of Gap coverage</b>
Target is 30% of income for shelter			
A—All owners and renters in core need	243,600	512,411,000	384,308,000
E—Limits enrolment to renters only	182,350	380,817,000	285,613,000
C—Limits enrolment to households with incomes of \$20,000 or less	171,400	393,666,000	295,250,000
D—Limits enrolment to households currently paying a STIR of 50 % or more	108,100	338,695,000	254,021,000
F—Limits enrolment to those over 55 or 65	88,200	149,546,000	112,159,000
Target is 50% of income for shelter			
D2—Limits enrolment to households currently paying a STIR of 50 % or more	83,380	113,630,000	85,223,000

Sources: pages 132 to 141

Note: All estimates use 2002 data and 2002 dollars, and have not been updated to reflect inflation, population growth, or economic and demographic changes since then. The cost estimates include only subsidy costs, that is the direct allowance payments and do not include any costs associated with administering the program. Page 52 of the report lists 10 factors which would affect the total program costs. Four of those factors would tend to reduce the costs; six of them would tend to increase the total costs.

The CMHC report also lists the costs of the foregoing program options for all other provinces and territories.