

Sizing up an Ontario housing benefit

October 31, 2008

Almost half the renter households in Ontario are precariously housed – spending 30% or more of their annual income on shelter (that’s about 1.4 million households). A housing benefit is a practical solution to bridge the gap between actual shelter costs and the amount that they can afford to pay, based on their income. The Wellesley Institute called for a housing benefit in its *Blueprint to End Homelessness* in 2006. Most experts agree that a housing benefit is urgently required. But not all housing benefits are created alike. Two key questions for any benefit:

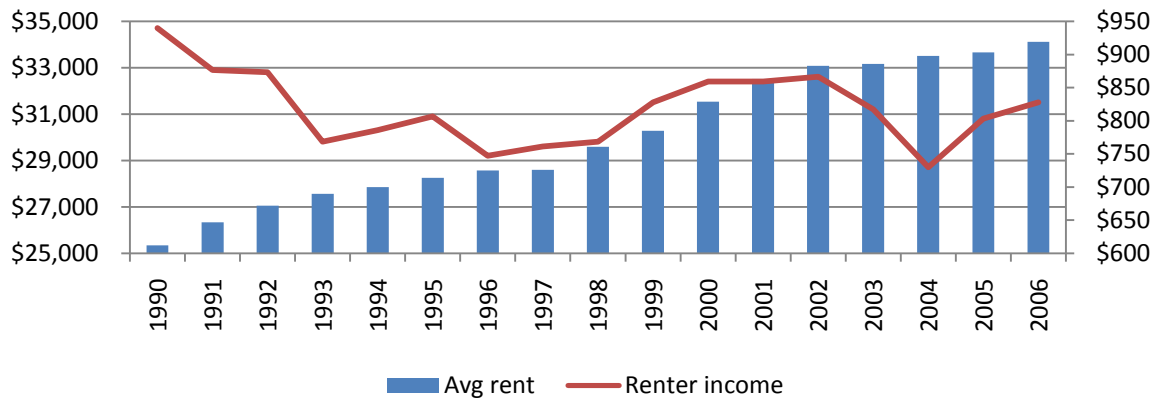
- **Adequate:** does it deliver the dollars actually required to bridge the affordability gap?
- **Comprehensive:** is it integrated into a comprehensive affordable housing strategy?

Households spending 30% or more on shelter¹

	All households			Owner households			Renter households		
	2001	2006	change	2001	2006	change	2001	2006	change
Ontario	25.3%	27.7%	+9.4%	17.3%	20.8%	+20.2%	42.2%	44.6%	+5.7%

In Provincial Policy Statement 2005², the Ontario government says households should not pay more than 30% of annual income on shelter. Good quality, affordable housing is a basic necessity for good health, and it is vital for the social and economic health of the province.

Declining renter household income, rising average market rents (Ontario)



The median household income for renters has been declining over the past two decades, even as rents have increased. As the market rents eclipse affordable rents, households are trapped in an affordability gap. In Provincial Policy Statement 2005, the Ontario Ministry of Municipal Affairs

¹ Statistics Canada, Changing Patterns in Canadian Homeownership and Shelter Costs, 2006 Census

² Ontario Ministry of Municipal Affairs and Housing, Provincial Policy Statement 2005, March 1, 2005.

and Housing produced a set of tables on affordable rents for the 40% of low and moderate-income households. Using this information, the Wellesley Institute has created an index of housing affordability for renters, found in the appendix at the end of this backgrounder.

Rental housing affordability index: \$1.64 billion

Market rent	Afford rent 20 th percentile	Afford index 20 th percentile	Afford rent 40 th percentile	Afford index 40 th percentile	Total gap: 20 th + 40 th
\$700	\$377	\$1,317,320,698	\$625	\$321,524,458	\$1,638,845,155

The rental housing affordability index for the 507,452 households in 43 regions and counties (virtually all of the province) for low and moderate-income renters puts the total gap at \$1.65 billion in 2006. The conclusion: ***Market rents have rapidly outpaced the incomes of the 40% of Ontarians in the bottom two income quintiles*** – the gap is large and it is growing.

An effective housing benefit covers the affordability gap

The design of housing benefits can get technical, and there are plenty of variations. The most effective benefit is the one that spans the actual affordability gap – the amount of money required to cover the distance from actual income to actual rent. But policy-makers can make design details that can reduce adequacy. The benefit can be restricted to a certain group (Ontario’s ROOF program was only available to working families with children), or the dollar amount can be capped (ROOF offered \$100 per household, no matter how wide the real affordability gap). Or the design details can set contribution requirements, maximum rents (an arbitrary rent can be set, instead of the actual rent that tenants pay) or differential income thresholds (raising the 30% level to 40% or higher). Every one of these design details takes away dollars from the housing benefit and makes it less of a benefit to renters.

Integrating benefits into a comprehensive housing strategy

A housing benefit needs to be combined with ***effective rent regulation and tenant protection laws*** to protect against the inflationary impact. Housing benefits can inflate rents for all tenants. U.S. economist Scott Susin has reported:

“The main finding of this study is that the voucher [a form of housing benefit] program has already caused a large increase in the price of housing for the poor in the 90 metropolitan areas examined here. The most robust estimate presented here suggests that the voucher program has raised the rent paid by unsubsidized poor households in the average metropolitan area by 16 percent.”³

Some Ontario tenants pay their energy costs as part of their rent, and others pay separately. The costs of water, fuel and electricity are rising faster than other shelter costs. A housing benefit needs to be co-ordinated with a ***comprehensive low-income conservation and energy strategy***.

A housing benefit is delivered to tenants, so there is no effective mechanism to ensure the housing meets a proper standard. The benefit needs to be combined with ***strong buildings standards and enforcement, along with a repair program***.

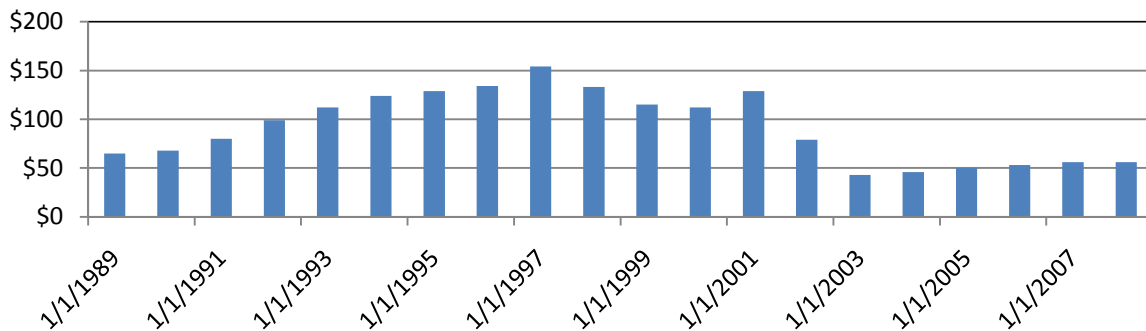
A housing benefit, by itself, cannot address the special needs of some for supportive housing. The benefit needs to be co-ordinated with ***supports and services*** for those that require them.

³ Rent vouchers and price of low-income housing, Journal of Public Economics, Volume 83, Issue 1, January 2002

A housing benefit can be crucial to assist people making the transition from homelessness to housed. The benefit needs to be linked to *emergency relief and services for homelessness*.

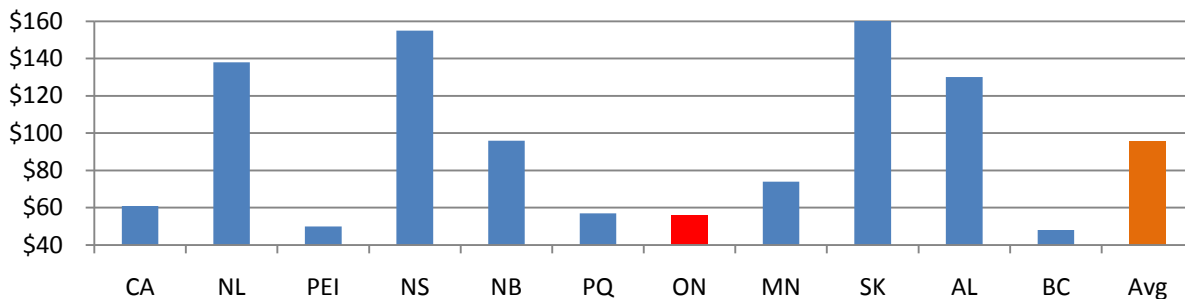
And, a housing benefit doesn't build the thousands of new affordable homes required. So, a benefit needs to be linked to a significant new investment in *affordable housing supply*. Provincial investment in housing has fallen since the housing downturn of the late 1990s.

Per capita provincial investment in affordable housing



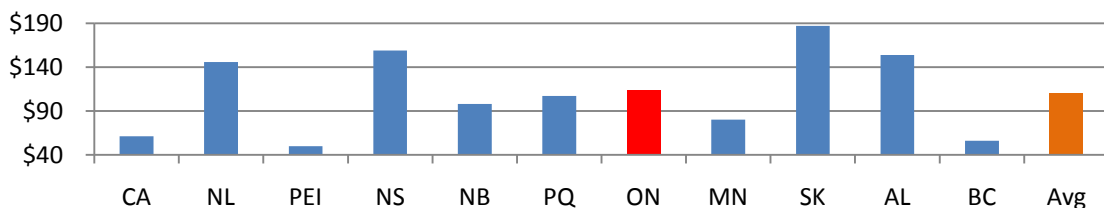
Ontario fares poorly in comparison to the federal government and other provinces, when it comes to per capita investment in housing.

Federal and provincial per capita investment in affordable housing



Even when municipal contributions are added, Ontario barely reaches the average.

Federal, and provincial/municipal per capita investment in affordable housing



The Wellesley Institute advances social determinants of health through **community-based research**, **community engagement**, **social innovation / social enterprise** and **public policy**.

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RENTERS	20th	AR	40th	AR	AvR	AI	Annual	Index 20th	Index 40%	Total 20+40
City of Toronto	\$16,000	\$400	\$31,300	\$780	\$972	\$572	\$6,864	\$613,435,680	\$205,908,480	\$819,344,160
Durham Region	\$16,900	\$420	\$30,900	\$770	\$851	\$431	\$5,172	\$35,985,742	\$6,762,982	\$42,748,723
Halton Region	\$21,900	\$550	\$38,000	\$950	\$952	\$402	\$4,824	\$25,808,400	\$128,400	\$25,936,800
Peel Region	\$22,300	\$560	\$39,800	\$990	\$985	\$425	\$5,100	\$80,172,000	\$0	\$80,172,000
York Region	\$19,800	\$490	\$37,800	\$950	\$933	\$443	\$5,316	\$34,405,152	\$0	\$34,405,152
Greater Sudbury	\$12,800	\$320	\$20,100	\$500	\$615	\$295	\$3,540	\$1,239,000	\$483,000	\$1,722,000
City of Hamilton	\$13,700	\$340	\$22,400	\$560	\$677	\$337	\$4,044	\$49,878,696	\$17,316,936	\$67,195,632
City of Ottawa	\$17,300	\$430	\$33,000	\$830	\$831	\$401	\$4,812	\$106,869,708	\$266,508	\$107,136,216
Kawartha Lakes	\$14,100	\$350	\$23,000	\$580	\$761	\$411	\$4,932	\$4,917,204	\$2,165,484	\$7,082,688
Chatham-Kent	\$13,900	\$350	\$23,800	\$600	\$591	\$241	\$2,892	\$6,799,092	\$0	\$6,799,092
Niagara Region	\$14,000	\$350	\$22,900	\$570	\$696	\$346	\$4,152	\$34,303,824	\$12,492,144	\$46,795,968
Waterloo Region	\$17,300	\$430	\$30,700	\$770	\$775	\$345	\$4,140	\$43,283,700	\$627,300	\$43,911,000
Brant County	\$14,200	\$350	\$24,000	\$600	\$706	\$356	\$4,272	\$10,752,624	\$3,201,624	\$13,954,248
Dufferin County	\$16,200	\$410	\$27,300	\$680	\$824	\$414	\$4,968	\$2,821,824	\$981,504	\$3,803,328
Elgin County	\$15,100	\$380	\$25,200	\$630	\$645	\$265	\$3,180	\$4,827,240	\$273,240	\$5,100,480
Essex County	\$14,000	\$350	\$24,100	\$600	\$694	\$344	\$4,128	\$30,559,584	\$8,350,584	\$38,910,168
Frontenac	\$13,700	\$340	\$23,100	\$580	\$753	\$413	\$4,956	\$19,268,928	\$8,071,488	\$27,340,416
Grey County	\$13,900	\$350	\$20,900	\$520	\$638	\$288	\$3,456	\$5,546,880	\$2,272,680	\$7,819,560
Haldimand	\$14,600	\$360	\$23,500	\$590	\$595	\$235	\$2,820	\$4,170,780	\$88,740	\$4,259,520
Haliburton	\$13,800	\$350	\$18,600	\$470	\$761	\$411	\$4,932	\$897,624	\$635,544	\$1,533,168
Hastings County	\$13,900	\$350	\$22,600	\$560	\$695	\$345	\$4,140	\$11,811,420	\$4,621,860	\$16,433,280
Lambton County	\$13,800	\$350	\$22,200	\$550	\$642	\$292	\$3,504	\$8,752,992	\$2,757,792	\$11,510,784
Leeds / Grenville	\$14,500	\$360	\$23,500	\$590	\$614	\$254	\$3,048	\$5,117,592	\$483,552	\$5,601,144
L & A	\$14,400	\$360	\$22,800	\$570	\$605	\$245	\$2,940	\$1,802,220	\$257,460	\$2,059,680
Middlesex	\$13,800	\$350	\$23,600	\$590	\$712	\$362	\$4,344	\$50,942,088	\$17,168,328	\$68,110,416
Norfolk County	\$15,100	\$380	\$23,200	\$580	\$595	\$215	\$2,580	\$2,500,020	\$174,420	\$2,674,440
Northumberland	\$16,700	\$420	\$25,700	\$640	\$774	\$354	\$4,248	\$4,982,904	\$1,886,184	\$6,869,088
Perth County	\$16,900	\$420	\$29,000	\$730	\$674	\$254	\$3,048	\$4,349,496	\$0	\$4,349,496
Peterborough	\$14,000	\$350	\$22,400	\$560	\$764	\$414	\$4,968	\$13,349,016	\$6,577,776	\$19,926,792
Prescott / Russell	\$13,800	\$350	\$21,800	\$540	\$605	\$255	\$3,060	\$3,880,080	\$989,040	\$4,869,120
Prince Edward	\$13,900	\$350	\$25,300	\$630	\$605	\$255	\$3,060	\$1,190,340	\$0	\$1,190,340
Renfrew County	\$13,900	\$350	\$24,500	\$610	\$554	\$204	\$2,448	\$4,416,192	\$0	\$4,416,192
Simcoe County	\$16,300	\$410	\$28,500	\$710	\$790	\$380	\$4,560	\$26,904,000	\$5,664,000	\$32,568,000
S, D & G	\$13,800	\$350	\$20,600	\$520	\$602	\$252	\$3,024	\$7,169,904	\$2,333,064	\$9,502,968
Wellington	\$17,900	\$450	\$31,100	\$780	\$800	\$350	\$4,200	\$15,267,000	\$872,400	\$16,139,400
Algoma District	\$12,400	\$310	\$18,700	\$470	\$473	\$163	\$1,956	\$5,472,888	\$100,728	\$5,573,616
Cochrane	\$12,500	\$310	\$19,700	\$490	\$606	\$296	\$3,552	\$6,965,472	\$2,729,712	\$9,695,184
Kenora District	\$15,600	\$390	\$25,900	\$650	\$629	\$239	\$2,868	\$2,452,140	\$0	\$2,452,140
Manitoulin	\$11,900	\$300	\$19,200	\$480	\$615	\$315	\$3,780	\$756,000	\$324,000	\$1,080,000
Muskoka	\$16,500	\$410	\$25,300	\$630	\$718	\$308	\$3,696	\$2,964,192	\$846,912	\$3,811,104
Nipissing	\$13,400	\$340	\$20,000	\$500	\$625	\$285	\$3,420	\$7,811,280	\$3,426,000	\$11,237,280
Thunder Bay	\$13,600	\$340	\$19,900	\$500	\$627	\$287	\$3,444	\$10,831,380	\$4,792,980	\$15,624,360
Timiskaming	\$12,700	\$320	\$18,200	\$460	\$521	\$201	\$2,412	\$1,688,400	\$512,400	\$2,200,800
Ontario	\$15,042	\$377	\$24,979	\$625	\$700	\$323	\$3,879	\$1,317,320,698	\$326,545,246	\$1,643,865,943