

RECOMMENDATION 4



A HOUSING BENEFIT – A NEW PROGRAM TO ASSIST THOSE WHO FACE A SEVERE AFFORDABILITY PROBLEM IN THEIR CURRENT ACCOMMODATION

Summary:

The lack of affordable housing is a primary reason why many Canadians are precariously housed. We currently have programs such as the Canada Child Tax Benefit and GST/HST payments that support people in recovering costs. We propose a very similar housing benefit that would apply to people with low incomes and high housing costs. This benefit would be a cash payment made directly to renters or homeowners and could reduce the number of people who are not currently homeless but face extreme or core housing need. It could also make housing more affordable for people who are currently homeless who may be eligible for the housing benefit. This benefit will dramatically reduce the number of households living with an extreme affordability problem and those experiencing core housing need.

COST: \$12.253 billion over ten years.

Recommendation Details:

THE FEDERAL GOVERNMENT SHOULD INSTITUTE A HOUSING BENEFIT OPERATED THROUGH CANADA REVENUE AGENCY TO ASSIST LOW-INCOME CANADIANS.

As we have argued through much of the [State of Homelessness 2014](#) report, a large number of Canadians are precariously housed, because of a severe affordability problem. While poverty and the resulting housing affordability can be a problem in both urban and rural areas, it is particularly an issue in large cities, because this is where housing costs tend to be the highest. Londerville and Steele point out the extent of the problem when they report:

“most renters with an income between \$10,000 and \$20,000, often working poor, in Halifax, Toronto, Calgary, Edmonton and Vancouver pay over half their income in rent. These renters are precariously housed, struggling to pay their rent and apt to fall into homelessness if they face an unexpected car repair bill or become sick and cannot work and pay their landlord”

(Londerville & Steele, 2014:41).

Londerville and Steele also note that many people who live in so-called ‘affordable’ housing units, built under the federal Affordable Housing Initiative, may be in this situation because they are not all rent-geared-to-income units: rents are often pegged at 80% of markets which makes them high enough to place a strain on the household budget.

The housing benefit we are proposing is a monthly cash payment that would go directly to renter households with low-incomes and housing costs that are burdensome. The benefit could be delivered through the income tax system and deposited directly into the recipient’s bank account, similar to ‘child tax’ benefits. Based on an earlier study by Pomeroy et al. (2008) in Ontario, Londerville and Steele (2014) suggest that the housing benefit would take into account income and the cost of the housing (e.g. maximum income for a family of two adults and two children would be under \$36,000 while a single would need to make less than \$22,000). Recipients would be expected to make a reasonable contribution towards the cost of their housing – for example 30% of their income – and the housing benefit would cover 75% of the difference between the actual housing costs and the contribution.¹ Receivers of the benefit would have to demonstrate to CRA that they are paying the rent they claim to be paying.

There are several strengths to the benefit proposal outlined here. One concern, however, is that it might be inflationary, in that landlords would simply raise rents to take advantage of more money in the system. It is argued, however that because the benefit is paid directly to the recipient rather than

1. While this will dramatically reduce the number of Canadian households living with an extreme affordability problem and will greatly reduce the deprivation of households experiencing core housing need, it will not eliminate extreme housing need completely. For example, if a household is currently paying 80% of its income on rent, the Housing Benefit (because of constraints such as max rent in the formula) would be very unlikely to bring the payment down to below 50%. A family household gets only 75% of the gap between rent and 30% of income.

the landlord, the landlord would have no way of knowing the tenant is receiving the benefit, or how much. Furthermore, the process would be almost the same as that for child tax benefits. A landlord would be no more likely to raise rent because of this benefit than they would because of the child tax benefits. An additional strength of operating it through the Canada Revenue Agency is that it draws on their experience in handling monthly benefits, dealing with housing cost receipts and monitoring. It would also minimize administrative costs and the application burden for recipients. Individuals who are currently homeless and have minimal income at income tax time could accumulate the credit over several months in a trust fund in order to pay for first and last months' rent.

Londerville and Steele have calculated the cost of this housing benefit at \$871.08 million annually for renters and \$247.92 million annually for low-income homeowners. A further breakdown follows:

RENTERS:

- \$428.28 million for renter families (215, 000 recipients)
- \$388.8 million for renter singles (360,000 recipients).
- \$54 million into reserve funds for the homeless (50,000 recipients).
- TOTAL: \$871.08 million (625,000 recipients)

HOMEOWNERS:

- \$146.16 million for families (105,000 recipients)
- \$101.76 for singles and childless couples (106,000 recipients)
- TOTAL: \$247.92 million (211,000 recipients)

RECOMMENDATION: \$1.119 Billion (2015/16); \$12.253 Billion over ten years.