

Q&A: A HOUSING BENEFIT FOR ONTARIO

Why this proposal? What would this new benefit accomplish?

- It will increase housing affordability for many households.
- It extends assistance to the working poor, who currently are not eligible for such assistance
- It removes a major barrier to getting off welfare by making assistance available to those trying to leave
- Its design recognizes that housing costs vary across the province, which current benefits do not
- It will reduce food bank dependency
- It is a better designed benefit than the current shelter allowance in social assistance, so is a better foundation to build on for the future.

Why is this being proposed at this time?

Almost one in every six families face affordability problems (paying more than 30% and sometimes more than 50% for their housing) and in a slowing economy the number experiencing issues will likely increase. The proposal is designed as input to the Province's poverty reduction strategy but is also timely in the emerging economic context.

What about other housing issues?

This proposal focuses on a Housing Benefit as one part of a broader solution for addressing housing-related poverty. While it is a key component from an income standpoint, it should be regarded as complementary to a range of additional housing specific solutions needed to address the shortage in the supply of affordable housing, homelessness and the need to maintain and rehabilitate existing housing.

Who is eligible? Who will benefit?

All low income households with housing affordability problems will benefit, including those on social assistance and those not (the working poor). This includes many people currently on waiting lists for affordable housing. We estimate that approximately 66,000 families and 129,000 single and couple households will be eligible for this benefit.

Is there a clawback?

No. There is no clawback for social assistance recipients in this proposal.

How much will someone eligible get?

The average benefit would be \$103 per month. The size of the housing benefit varies depending upon their household size, their level of income, and the size of rent compared to their income (affordability). Three examples are given at the end of this Q&A to demonstrate the amount certain households would receive, and how this is calculated.

Is it enough?

It is a good start. It will be a tremendous help to many people who are currently struggling. We are starting small, with a design that the government can afford to implement, in recognition of current economic conditions. This is a good design and a foundation that can be built upon in the future.

Why this reform, rather than other welfare reforms?

If you look at the history of welfare reforms, housing is one area which has had very little reform in past 20 years, and it is behind other areas. This reform would significantly improve the design of housing benefits.

Is this design fair and equitable?

Yes. It treats people equally in equal circumstances. As people's income rise, their benefit declines and is gradually phased out. If people lower their housing costs, they can increase their "after housing" income because of the contribution incentive incorporated into the program. And this design does not give benefits to households who don't have high shelter to income cost burdens, ensuring good use of taxpayer's dollars.

Are homeowners eligible?

No. We started with renters who do not have any equity, because we are trying to keep our proposal affordable. However, a design like this could easily be extended to homeowners for an additional cost.

How will this help with affordable housing waiting lists?

The waiting lists are long. This benefit can provide some immediate assistance. Some recipients may choose to no longer be on the waiting list.

Will this inflate rents?

Studies have shown that this kind of design has not lead to inflation in other jurisdictions. The benefit is paid directly to the tenant, just like the child tax benefit, so landlords will not know what the tenant is receiving, just like the Child Tax Benefit or GST credit. The design of the benefit requires the tenant to contribute a percentage of the rent, which gives the tenant a stake in economizing on rent.

Has this been done elsewhere?

This has been done in Quebec. Similar programs exist in Manitoba and BC. Similar programs also exist in Sweden, Australia, France, New Zealand and many other countries. This style of benefit appears to have worked well in those jurisdictions, which is why we have chosen this model.

However, not all housing benefits are the same. This is not like the US voucher system. This benefit is not paid to the landlord. This should not be automatically compared to every program called a housing benefit or shelter allowance in other jurisdictions.

Does this subsidize rent no matter how high the rent?

No. There is a maximum rent depending upon household size shown below. The maximum rents also vary by region, reflecting the fact that rents are higher in Ontario's larger centers. Households also have to contribute towards their rent, encourages households to economize on rent, so that their remaining income after paying the rent will be higher.

Household size	1	2	3	4	5	6
Cities with 100,000+ population	575	750	847	847	1100	1100
Areas under 100,000	462	549	701	701	796	796

Does someone still get the benefit if they pay above the maximum rent?

Yes. However, rent amounts above the maximum are not used to calculate the benefit.

Why is there a minimum rent?

It is necessary to dovetail with the social assistance system. This benefit provides a mechanism to help people get off social assistance.

Is there an asset test with this program?

We do not recommend an asset test, following the design principle of the Child Benefit, which we support. An asset test is a deterrent to helping people leave welfare, or preventing them from having to get on welfare. We do not want to discourage people from saving to better their security.

Will this be too complicated for tenants to figure out?

No. Tenants will be able to simply go to a "housing benefit calculator" website and easily be able to figure out what size of benefit they could receive.

What will this cost?

We estimate the cost to be \$240 million annually if all 194,000 households eligible were to participate in the program. Programs of this type do not usually have 100% participation. This cost could be offset by using funds currently going to the Property Tax Credit, unused funds in the ROOF program, and as an alternative to across the board increases in social assistance which haven't taken place each year for the past few years.

Another potential source of funds for this program is the savings that would result from having fewer people on social assistance than otherwise might be the case. This benefit makes it easier for people to get off social assistance, reducing costs for that program.

How will this benefit be delivered?

This will be delivered through the tax system. However, people would be able to apply at any time, and begin receiving benefits, as happens with other social programs delivered through the tax system.

What is the advantage of having it delivered through the tax system?

It increases participation because people are familiar with the application process for other benefits. It also likely reduces fraud, because CRA has an extensive organization and capabilities.

Calculating the Benefit: Three Examples

Hanifa: lone parent with two children on Ontario Works			
Hanifa's Finances		Calculating Her Benefit	
OW basic needs	\$374	Rent	\$700
OW shelter allowance	\$595	Minus OW shelter allowance	- 595
Child benefits and other credits	<u>\$733</u>	Gap between rent and shelter allowance	= \$105
Total income before housing benefit	\$1,702	Housing benefit pays 75% of gap	X .75
Total income after housing benefit	\$1,781	Equals Hanifa's monthly housing benefit	\$79

Bob: lone parent with two children on Ontario Works			
Bob's Finances		Calculating His Benefit	
OW basic needs	\$374	Bob's actual rent is \$850/month. Because this rent is over the maximum of \$847, this amount is used to calculate the benefit	\$847
OW shelter allowance	\$595	Minus OW Shelter Allowance	- 595
Child benefits and other credits	<u>\$733</u>	Gap between rent and shelter allowance	= \$252
Total income before housing benefit	\$1,702	Housing benefit pays 75% of gap	X .75
Total income after housing benefit	\$1,891	Equals Bob's monthly housing benefit	\$189

Krystal: lone parent with two children, full-time minimum wage			
Krystal's Finances		Calculating Her Benefit	
Employment income	\$1,422	Rent	\$800
Shelter allowance (there is no housing benefit for working poor)	n/a	Minus 30% of income \$2,211 X .30 = 663.3	- <u>663.30</u>
Child benefits and other credits (including WITB)	<u>\$789</u>	Gap between rent and 30% of income	= \$136.70
Total Income Before Housing Benefit	\$2,211	Housing benefit pays 75% of gap	X .75
Total income after housing benefit	\$2,314	Equals Krystal's monthly housing benefit	\$103