Local Delivery of Housing Allowances and Rent Supplements in Ontario: Best Practices and Program Challenges

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TABLE OF CONTENTS

1. INTRODUCTION

Interest in housing allowances and the various forms they can take is growing in Ontario. Housing allowances are subsidies that assist lower income households rent housing in the private market. Across Canada and in different countries, housing allowances take many different forms. Subsidies may be deep and allow households to pay affordable rents based on incomes. Alternatively, subsidies may be shallow and only offset a portion of the gap between what households can afford to pay and market rents. Some subsidies are made available to all who meet the basic eligibility requirements. Other programs are highly targeted and rationed to the poor, the elderly, or other vulnerable groups. Some subsidies are portable and follow tenants when they move. Other subsidies are attached to specific housing units. Some programs stipulated habitability requirements of subsidized housing. Other programs do not specify any minimum housing quality standards. These various different approaches all come with a number of advantages and disadvantages. Within these general approaches, there are innumerable ways to structure programs. Thus, there is enormous variability in the way housing allowances are designed and delivered. Traditionally, in Ontario housing allowances have been attached to specific rental units in the private market that come under contract to government housing agencies. This is usually referred to as ‘rent supplement’ approach. But in recent years, Ontario has started experimenting with portable housing allowances that are not attached to units but rather follow tenants when they move. Outside of Ontario, this is by far the more common approach in Canada. In Canada, portable housing allowances are usually shallow subsidies that bridge only a portion of the ‘affordability gap’, whereas rent supplements attached to units are usually deeper subsidies that allow tenants to pay rents geared to income (RGI). Although Ontario has started to move toward portability, so far most programs have only been temporary pilot programs that are not made available to all tenants in core housing need. Several groups have advocated for the expansion of portable housing allowances in Ontario. In 2008 a coalition of industry and community organizations including the Federation of Rental Housing Providers of Ontario, the Ontario Non-Profit Housing Association, the Greater Toronto Apartment Association, the Metcalf Foundation, and the Food Bank issued a report calling for a much more ambitious portable housing allowance program in Ontario that would be available to virtually all low-income households who struggle with high housing costs (cf. FRPO et al., 2008).

Giving the growing interest in housing allowances, this is an apt time to take stock of the programs currently available in Ontario. Rent supplements attached to specific units have been part of Ontario housing policy since 1973 (cf. Rose, 1980). In addition, the shelter component of welfare (Ontario Works and Ontario Disability Support Program) may be understood as a form of housing allowance that has a longstanding history in the province (Pomeroy, 2001). In 2000, the Social Housing Reform Act devolved responsibility for housing to local governments. Following devolution, the number of housing allowance programs and the variety of delivery models within programs increased significantly. This is because Service Managers[1] have considerable authority to customize provincial housing allowance programs and to create their own programs in order to meet the particular needs of their communities. With the devolution of responsibility for housing to the 47 Service Managers, Ontario has essentially created 47 policy laboratories across the province. This creates enormous potential to experiment with different approaches and to find out which methods and delivery models work well in some respects but may be less effective in some other respects. But local innovation is less valuable when it cannot be replicated by others. The goal of this research project then is to harness the innovation that has proliferated at the local level so that Service Managers and the provincial government may continue to revise and develop housing allowance programs that best meet the needs of Ontarians. Inevitably, in the course of researching this report I have also come across a number of challenges for housing allowances and rent supplements at the local level. These are included in this report as well.

It is important to note that this is not a comparative study of housing allowances (sometimes called ‘demand-side’ assistance) versus purpose-built social housing (sometimes called ‘supply-side’ assistance). While most agree that it is important to have both demand-side and supply-side affordable housing policies, there is considerable debate as to the correct balance between these two approaches (cf. Galster, 1997; Yates & Whitehead, 1998). This report sets that debate aside in order to focus on the specific approaches to housing allowances taken in Ontario.

Housing allowances that are portable seem to be in vogue in Ontario. As noted above, several groups in Ontario, representing a wide range of different interests including landlords and

[1] ‘Service Manager’ is the term used in the Social Housing Reform Act to refer to municipal, regional, or county governments, or where there are no municipal governments, a District Social Service Administration Board (DSSAB) responsible for funding and administration of housing policies. There are 47 Service Managers in Ontario. “The term has been misperceived as a job position within the municipality or DSSAB” (ONPHA, 2011).

poverty activists, have been calling for the creation of a more widespread portable housing allowance in Ontario. Perhaps part of the reason for this is that some Ontarians have realized that Ontario stands out among large Canadian provinces for its absence of a universal income-based portable housing allowance. Indeed, the portable housing allowance called for in the 2008 report cited above is largely modeled after programs in BC, Manitoba, and Quebec. In this environment, there is a risk that some may lose sight of the advantages that come from the dominant approach in Ontario of using non-portable, unit-based housing subsidies. The 2008 housing benefit report is highly critical of approaches taken in Ontario, while largely glossing over the disadvantages of portable housing allowances in other provinces (for example, rent inflation, shallower subsidies, and a lack of basic habitability requirements). A secondary goal of this research report is to inject some balance into the discourse on housing allowances in Ontario. This report identifies the advantages and disadvantages of a number of different approaches to housing allowances. Critics of Ontario housing policy may be surprised to learn that Ontario's rent supplement approach, in which deep subsidies are attached to units, includes a number of advantages that do not come with the portable housing allowances in other jurisdictions. In the rush to embrace portability, it would be very unfortunate if Ontario abandoned the rent supplements attached to units and all the advantages that approach carries.

This research project will examine best practices in six key areas: improving housing affordability/reducing poverty, facilitating tenant self-sufficiency, targeting, wait lists, community development, and minimizing administration costs.

Improving housing affordability is a key goal of any social housing policy, including rent supplements/housing allowances. This goal goes hand in hand with reducing poverty. Indeed, housing allowances are part of Ontario's Poverty Reduction Strategy (Government of Ontario, 2010).

By reducing poverty, it is hoped that more people can become self-sufficient and reduce their reliance on subsidies. Thus, this research project examines best practices at the local level for facilitating tenant self-sufficiency.

As some tenants become more self-sufficient, it is possible to target assistance to those who need it most. In an environment of limited financial resources, targeting is a way of making sure those with the greatest needs receive assistance.

Reducing wait lists for subsidized housing is also an important policy goal. One of the most significant advantages of housing allowances is that they allow for the immediate assistance of families without having to wait for a vacancy to open up in social housing.

The fifth area around which this research project will investigate best practices is community development. In the US, housing allowance programs such as the court-ordered Gautreaux program and the Moving-to-Opportunities program have been implemented with the specific goal of reducing concentrated poverty by creating integrated, mixed-income communities (cf. Briggs, 1998; Popkin et al., 2000). Housing allowances may allow tenants to participate in the private rental market with a greater degree of choice to live in parts of the city that they otherwise would not be able to afford.

Finally, this research project will consider best practices in terms of minimizing administration costs. Smart program planning and implementation may reduce administration costs thereby allowing more financial benefit to tenants.

In order to understand best practices in these six areas at the local level, the primary research method of this report is semi-structured, qualitative interviews with local housing administrators. In June 2011, I did 10 interviews with local housing administrators from 10 different Service Manager areas across Ontario. Some interviews involved more than one administrator, thus a total of 14 local housing administrators participated in the 10 interviews. Interviews were conducted over the telephone and were audio-recorded and transcribed. Interviews averaged about 45 minutes in length. Housing administrators participated on a strictly confidential basis. The province of Ontario divides its 47 Service Managers into five regional Municipal Services Offices (MSOs): Central, Western, Eastern, Northwestern, Northeastern. At least one Service Manager from each of the five MSOs was included in the interviews. Thus, the interviews included representation from all of the five major geographic regions of Ontario. Interviews were supplemented with analysis of primary documents available on the internet. Documents were obtained from the websites of the Ministry of Municipal Affairs and Housing (MMAH) and the websites of various municipal and county governments and District Social Services Administration Boards (DSSABs). In order to ensure the confidentiality of interview participants, this report does not disclose the names of participants nor the municipalities and regions they represent. In every case where a geographic place name appears in this report, the information being reported was derived from a document available on the internet or a newspaper or academic source.

Before presenting the empirical findings from the interviews and document analysis, the next chapter reviews some of the academic literature on housing allowances. The literature review discusses the various different policy approaches in Canada and other countries before considering what the literature has to say on the six key policy areas this study seeks to investigate. The literature review is followed by Chapter 3, which describes the various specific housing allowance and rent supplement programs currently in operation in Ontario. Chapter 4 describes in more detail the rent supplement approach of attaching subsidies to specific rental units. Rent supplements cannot be classified as either demand-side or supply-side assistance. Rent supplements carry a number of distinct advantages that do not come with portable demand-side housing allowances. But this policy approach also has a number of challenges for which local housing administrators have developed a number of best practices. Chapter 5 is perhaps the most important chapter because this is where the empirical findings are presented for both best practices and ongoing challenges in the six key policy areas identified above. In my interviews with them, local housing administrators offered a number of suggestions for ways that local flexibility may be further enhanced. These constructive suggestions are discussed in Chapter 6. Chapter 7 concludes this paper with consideration of key points to take away from this report as well as areas for future research.

2. LITERATURE REVIEW

This chapter reviews much of the literature on housing allowances and related programs, focusing mostly on North America but also considering some of the work on programs in Europe and Australia. The first section describes and compares the various different approaches taken in Canada and in other countries and distinguishes housing allowances from rent supplements. The subsequent six sections highlight what the literature has to say on the six key policy areas investigated in this report: improving housing affordability/reducing poverty; facilitating tenant self sufficiency; targeting; wait lists; community development; and minimizing administration costs.

2.1 Housing Allowances versus Rent Supplements versus Other Programs

It is important to understand that housing allowances and rent supplements are not the same thing. In the academic literature, the term ‘housing allowance’ refers to benefits paid directly to tenants to offset a portion of their rent in the private market and make their housing more affordable. Housing allowances are portable. That is, they are attached to tenants and follow tenants when they move. Housing allowances do not create a legal relationship between government housing agencies and private landlords. They are not attached to specific units. Housing allowances rarely stipulate basic habitability requirements. In Canada, housing allowances usually only bridge a portion of the affordability gap and still leave most households in core housing need spending more than 30% of their incomes on rent. In BC and Manitoba, welfare recipients are not eligible to receive housing allowances. In these provinces, housing allowances are a means of assisting lower-income people outside of the welfare system (cf. Finkel et al.; 2006a, Kemp, 2007a; Steele, 1998). Sometimes the terms ‘shelter allowance’ or ‘housing benefit’ are used. ‘Housing allowance’, ‘shelter allowance’, and ‘housing benefit’ are interchangeable terms.

Rent supplements differ from housing allowances in a number of ways. The rent supplement approach involves government housing agencies entering into contracts with private landlords to rent private market rentals to people who are on (or eligible to be on) the wait list for rent-geared-to-income (RGI) social housing. Under these arrangements, tenants pay their private landlords RGI rents roughly equivalent to 30% of their incomes just as they do in purpose-built social housing. The difference between what the tenant pays and the actual market rent is paid to the landlord by the government. Thus, unlike housing allowances, rent supplements create a three-way legal relationship between tenants, landlords, and government housing agencies. As part of the legal agreement between the landlords and government housing agencies, landlords are usually required to maintain the rental units under contract to satisfy basic habitability standards. Typically, units are inspected when they come under contract as well. Thus, unlike most housing allowances, rent supplements give governments control over the quality of housing that is subsidized and prevent government dollars from subsidizing slum conditions (Hulchanski, 2002). Participating landlords tend to be large professional rental companies, as opposed to small informal landlords for whom the program is usually unattractive (Rose, 1980). In some cases, rent supplements are used in the low-end-of-market units in non-profit housing developments

(Steele, 2007). Figure 1 summarizes some of the key differences between housing allowances and rent supplements.

Figure 1 **Housing Allowances versus Rent Supplements**

	Housing Allowances	**Rent Supplements**
Paid to tenants or landlords?	Tenants	Landlords
Attached to tenants or units?	Tenants	Units
Portable?	Yes	No
Waitlisted?	No	Yes
Utilities covered?	No	Yes
Available to welfare recipients?	No	Yes
Subsidy amount	Partial affordability gap	Full affordability gap
Labour market mobility	High	Low
Housing Quality Standards	Little Control	More Control
Social Mix	Yes	Yes (but increased risk of stigma because landlords aware of subsidy)
Potential Problems	Rent Inflation	Difficult when vacancy rate is high

Housing allowances are classified as 'demand-side' assistance (Finkel et al., 2006a). Housing allowances are demand-side assistance because they increase effective demand for housing. By giving households more money in their monthly budgets, housing allowances enable households to increase their housing consumption in terms of quality and/or size. Housing allowance give lower-income households more market choice to self-select units in the private rental market. Rent supplements do not give market choice and are therefore not demand-side assistance or housing allowances:

> Subsidies that pay part of a household's rent also are supply-side subsidies if they are focused on certain housing units rather than giving the household the opportunity to make choices among private market housing, including buildings or developments that do not have units reserved for low-income households. The Canadian rent supplement programs that permit households only to choose whether to accept or reject a specific unit offered by a social housing waiting list agency are not housing allowances, although many rent supplement units are in private developments. (Finkel et al., 2006a, p. 19)

According to this CMHC report, portability and market choice are defining qualities of demand-side assistance and housing allowances. If it is not portable, it is not demand-side assistance and it is not a housing allowance.

The CMHC report quoted above classifies rent supplements as supply-side assistance, although this is problematic. In a sense, rent supplements might be seen as supply-side assistance because they essentially work by augmenting the supply of social housing with private rental housing that comes under contract to government housing agencies. Indeed, while Marion Steele (2001) has argued that the US Section 8 voucher program is "essentially public housing privately provided" (p. 83), she points out that rent supplements are "even more like public housing than is the Section 8 programme" (Ibid.). Although rent supplements in effect do increase the supply of RGI social housing, this approach is predicated upon the supply already existing in the private rental market. As Albert Rose (1980) has observed, "a rent supplement program…does not add to the total housing stock but allocates a portion of existing housing to lower-income groups" (p. 120). Thus, a rent supplement program cannot work very well when there are no market rentals available. In a low vacancy rental market, there is little incentive for private landlords to participate in rent supplement programs because they have no trouble renting out their units in the private market, often for a higher rate than they would get under a rent supplement program (Pomeroy, 2001). To work best, rent supplement programs need a relatively high vacancy rate. In a high vacancy rental market, participating in rent supplement program may be the only way for a landlord to rent out their unit. A high vacancy rate may be conceptualized as an over-supply of rental housing. Thus, rent supplement programs rely on an over-supply of rental housing. Therefore, it is incorrect to classify rent supplements as supply-side assistance. Rent supplements are a housing policy approach that resists classification into either demand-side or supply-side assistance.

Housing allowances and rent supplements both carry a number of advantages and disadvantages. Perhaps the most significant advantage with housing allowances is that they are portable. This gives households more freedom over where they live. Portability also promotes labour market mobility as households can move in search of work and still receive their subsidies (cf. Hulse & Randolph, 2005; Parai et al., 2006). Housing allowances may also be less paternalistic because they give households more control over how the money is spent. As discussed later in this chapter, housing allowances carry less welfare stigma than other types of subsidies. This may be due to that fact that usually landlords do not know their tenants are receiving housing allowances (Steele, 1998). Because they are typically shallower subsidies, only bridging a portion of the affordability gap, housing allowances are less likely to create work disincentives (Finkel et al., 2006a). But a disadvantage with housing allowances is that governments lose control over the quality of housing that is subsidized. Housing allowances open up the potential for government money being used to subsidize slum housing (Hulchanski, 2002). Another significant disadvantage associated with housing allowances is that they often result in rent inflation. Unless increased demand is met with increased supply, higher rents are a likely outcome of housing allowances. As David Hulchanski (2002) has noted, "Providing cash transfers to some low-income households, without increasing the supply in that segment of the rental market, has the inevitable result of raising rents overall" (p. 24). Because of their potential inflationary effects on rents, Hulchanski (2002) says, "Landlords and their consultants favour such a housing subsidy program" (p. 23). This claim seems to have been prophetic as the 2008 report calling for a major portable housing benefit in Ontario, discussed in the opening chapter, was sponsored in part by the Greater Toronto Apartment Association and the Federation of Rental-housing Providers of Ontario (cf. FRPO et al., 2008).

Compared to housing allowances, rent supplements offer a number of advantages. Perhaps the most significant advantage of rent supplements is that they allow government housing agencies to ensure basic habitability standards are met and routine maintenance is carried out. Periodic inspections of rental units under contract prevent subsidies from going to slum landlords. Another advantage of rent supplements in the Canadian context is that they typically offer far deeper subsidies than housing allowances. While housing allowances usually only bridge a portion of the affordability gap and leave households in core housing need, rent supplements usually bridge the entire affordability gap and enable tenants to pay RGI rents thereby taking them out of core housing need. Quebec has both portable housing allowances and unit-based rent supplements. In the case of Quebec's rent supplement program monthly household benefits averaged $455 in 2003 compared to just $59 in the case of Quebec's housing allowance program (Steele, 2007). Another advantage of the rent supplement approach is better resource allocation as vacant units become occupied (Sewell, 1994). Rent supplements also avoid the problem of rent inflation that is associated with demand-side portable housing allowances. Given these advantages, Canadian housing expert David Hulchanski (2002) prefers rent supplements attached to units over portable housing allowances: "Rent supplements, which bind landlords to key legal obligations, are the only acceptable way to deliver public subsidies to private landlords—if the aim is to benefit low-income tenant households" (p. 24).

But a number of disadvantages associated with rent supplements have also been identified in the literature. Perhaps the most significant disadvantage of rent supplements is that lack of locational choice for tenants. Because rent supplements are not usually portable, tenants must reside in specific units under contract. This may diminish labour market mobility as tenants already living in rent supplement may lose their subsidy if they need to move in order to find work (cf. Hoek-Smit & Diamond, 2003 in Parai, 2005). Another disadvantage of rent supplements attached to units is that the risk of stigmatization is higher than with portable housing allowances attached to tenants. As Steele (2001) has cautioned, "there is nothing to prevent the landlord [from] placing [subsidized households] in the least marketable units in a building or identifying them to other tenants" (p. 69). In contrast, with housing allowances attached to tenants, landlords typically have no knowledge that their tenants are receiving subsidies (Steele, 1998). An additional disadvantage associated with rent supplements is that they rely on the willingness of private landlords and many landlords are reluctant to participate in rent supplement programs. Additional administrative duties, inability to select tenants, and a reluctance to rent to tenants who are perceived as high risk are all reasons behind poor landlord reception to rent supplement programs (Pomeroy, 2001). As already discussed, landlords may also be reluctant when the vacancy rate is low. If a landlord withdraws from a rent supplement program or opts against renewing a rent supplement agreement, assisted tenants will have to move or face paying market rent, which may not be possible if incomes are still very low (Sewell, 1994).

Several Canadian provinces have pioneered the portable housing allowance approach. BC was the first province to initiate a portable housing allowance program (Finkel et al., 2006a). Shelter Aid for Elderly Renters (SAFER) was started in the late 1970s as a way of assisting low-income seniors struggling with high housing costs and who could not access BC's limited supply of social housing. The SAFER program was a first in Canada in a number of respects:

> The BC initiative was fully funded by the province, with no help from CMHC, unlike virtually all other social housing programs funded until that date. It was also the first open enrolment or universal program in the sense that it was available to any

> applicant who met the program requirements. Another important aspect was payment of the allowance directly to the recipient, as is the case for most—but not all—housing allowance programs internationally (Ibid., p. 22).

Manitoba and Quebec have introduced housing allowance programs modeled after BC's SAFER program. Manitoba has two housing allowance programs: Shelter Allowance for Family Renters (SAFFR) and Shelter Allowance for Elderly Renters (SAFER). Quebec's Shelter Allowance Program is different from the BC and Manitoba programs in that the Quebec program is available to welfare recipients (FRPO et al., 2008). In 2006, BC introduced a second housing allowance program, the Rental Assistance Program (RAP), which is targeted at low-income working families with children. All of these are partial affordability gap programs that subsidize only *a percentage of the difference* between actual rent and what is deemed an affordable rent based on incomes. Under Quebec's housing allowance program, 75% of the affordability gap is subsidized. In the case of BC's SAFER program, the percentage of the affordability gap covered varies from as high as 90% for those with the lowest incomes down to 44% for seniors with more moderate incomes. Under Manitoba's housing allowance programs the percentage also varies from 90% to 60%, depending on recipients' incomes (Steele, 1998). In addition, most programs specify a maximum eligible rent or threshold rent (sometimes referred to as the 'rent ceiling'). If actual rent is in excess of maximum eligible rent the excess is not considered in the calculation of benefits (Steele, 1998). Internationally, many housing allowance programs also stipulate a minimum rent that must be met in order for tenants to qualify for benefits. Minimum rent may be a flat amount or an amount based on tenants' incomes (Kemp, 2007a). In the Canadian programs listed above, minimum rent is usually 30% of tenants' incomes. Stated differently, housing allowance programs in Canada are only available to tenants in core housing need (Steele, 1998). Housing allowance expert Marion Steele (2007) calls these Canadian programs "classic Canadian housing allowances" (p. 67). Although broadly similar programs are also available in Europe and Australia (Ibid).

In 2005, Saskatchewan implemented two housing allowance programs (Family Rental Housing Supplement and Disability Rental Housing Supplement) that are different from the 'classic' Canadian housing allowances described above. The major difference with the Saskatchewan programs is that instead of subsidizing a percentage of the affordability gap, a graduated flat amount system subsidizes a portion of the affordability gap (cf. Steele, 2007, pp. 67-68). Unlike the other Canadian programs, Saskatchewan's housing allowances actually do attempt to control the quality of housing that is subsidized. In Saskatchewan, a program manager carries out an inspection of the rental unit and "must be of the opinion that the condition does not present a serious hazard to health or safety" (Ibid., p. 68) before issuing benefits. Unlike the housing allowances in BC and Manitoba, in Saskatchewan welfare recipients are eligible to receive benefits (Ibid.).

Rent supplements have been available in Canada since the passage of the National Housing Act of 1973. The NHA of 1973 authorized all the provinces to create rent supplement programs (Rose, 1980). Although, Ontario and Quebec seem to have made the most extensive use of rent supplements. Already by 1974, there were 2600 rent supplement units in Ontario (Ibid.). Ontario stands out among large Canadian provinces for its absence of a 'classic' Canadian housing allowance of the kind described above (FRPO et al., 2008). Despite this, housing policy language in Ontario does talk about 'housing allowance' programs in Ontario. Within Ontario, the terms 'rent supplement' and 'housing allowance' are used to distinguish between different ways of determining benefit amounts. In Ontario, the term 'rent supplements' is used to describe programs in which the entire affordability gap is subsidized and the tenant pays a rent-geared-to-income (RGI) such that the amount the tenant pays their landlord is roughly equivalent to 30% of income with government housing agency paying the rest of the rent to the landlord. In contrast, in Ontario, the term 'housing allowance' is usually used to describe essentially the same approach except benefits are not calculated based on incomes and rents such that tenants pay RGI rents. Instead, Ontario 'housing allowances' offer benefits that are predetermined flat amounts and that have nothing at all to do with tenants' incomes or rents. For example, an Ontario 'housing allowance' program may attach a $100 subsidy to one-bedrooms, a $200 subsidy to two-bedrooms, and a $300 subsidy to three-bedrooms. These are flat amounts already decided upon by government policymakers. The tenant pays the rest of the rent to the landlord, but because benefits have nothing to do with incomes or rents, Ontario 'housing allowance' tenants do not pay RGI rents. Because Ontario 'housing allowances' are not RGI, usually tenants remain in core housing need paying more than 30% of income on rent. In Ontario, the flat amount subsidies are called 'housing allowances' and the subsidies that are based on incomes and rent and create an RGI rent for tenants are called 'rent supplements'. But the academic literature would consider both approaches to be rent supplement because, generally speaking, both approaches lack portability and full market choice and subsidies are attached to rental units instead of tenants. Thus, terminology can be very confusing for researchers looking at Ontario and considering the academic literature.

In addition to rent supplements and housing allowances, there are two other types of programs that are discussed in the academic literature. The first is Canadian welfare shelter allowances. Provincial welfare programs issue cheques with two components: a basic needs component and a shelter component. The basic needs component is meant to cover things like food and clothing. The shelter component covers housing costs such as rent and utilities. Canadian welfare shelter allowances subsidize tenants' entire rents up to a maximum level (Fallis, 1993). In practice, Canadian welfare shelter allowances bear no relationship with prevailing market rents (Steele, 1998), which means many welfare recipients apply some or all of the basic needs component to their housing costs. Because Canadian welfare shelter allowances are portable, flow to tenants, and allow tenants to self-select units in the private market, they can be considered an example of demand-side assistance. Without welfare shelter allowances, many Canadian welfare recipients would be homeless. Thus, Canadian welfare shelter allowances do increase effective demand for housing.

There is a great deal of academic literature on US Section 8 vouchers. The US Section 8 housing voucher program started in 1975. 'Section 8' refers to the part of the US Housing Act that contains the program. In 1998 the program was renamed the Housing Choice Voucher Program. However, the term 'Section 8' is still used widely to refer to the program (O'Hara and Cooper, 1998). A section 8 voucher is essentially a "promissory note from the government" (Newman, 2007, p. 87) that low-income tenants may use to offset a portion of rent in a housing unit that meets certain basic habitability requirements. It creates a three-way relationship between the tenant, the landlord, and the government. Tenants pay an affordable rent (defined as 30% of income, as in Canada) directly to their landlords. The government pays to the landlord the difference between what the tenant pays and a pre-determined Payment Standard (which is based on Fair Market Rents, which vary by metropolitan region). Thus, the value of the subsidy is not based on actual rents for the units tenants are living in but rather a Fair Market Rent pre-determined by the government (Steele, 2001). Section 8 vouchers are considered demand-side assistance because the subsidies are portable and tenants have market choice to self-select units (Finkel et al., 2006a).

Hulchanski (2002) says that 'housing vouchers' are the same as 'shelter allowances' and these terms may be used interchangeably. But there are several key differences between US Section 8 vouchers and 'classic' Canadian housing allowances. First, unlike Canadian housing allowances, which only bridge a portion of the affordability gap, Section 8 vouchers offer deeper subsidies that bridge the entire affordability gap. A second difference is that Section 8 vouchers do have fairly strict habitability requirements (Steele, 2001). Unlike 'classic' Canadian housing allowances, which are entitlements available to everyone who meets the eligibility requirements, Section 8 vouchers are rationed with a waiting list (Ibid). This means many people who meet the eligibility requirements do not actually receive Section 8 vouchers. Another difference is that Section 8 vouchers are available to people on welfare, while most 'classic' Canadian housing allowance deem welfare recipients ineligible for benefits. These are all features of Section 8 vouchers shared with rent supplements rather than housing allowances. Figure 2 compares the five broad categories of programs discussed in this section: 'classic' Canadian housing allowances, rent supplements, 'housing allowances' in Ontario, Canadian welfare shelter allowances, and US Section 8 vouchers.

The rest of this chapter discusses what the literature has to say on the six policy areas this study seeks to investigate: improving housing affordability/reducing poverty, facilitating tenant self-sufficiency, targeting, wait lists, community development, and minimizing administration costs. There is very little literature on the rent supplement approach, other than literature that shows how it differs from housing allowances. Thus, most of the literature reviewed in the rest of this chapter pertains to portable housing allowances. Although rent supplements are the dominant approach, this literature is still valuable for Ontario policymakers to consider because while it is true that rent supplements and housing allowances are very different, many of the same issues are at stake with both approaches. In addition, Ontario has started to move toward portable housing allowances so this literature is directly relevant to some of Ontario's more recent policy experiments.

Figure 2 Comparison of Five Types of Housing Allowance/Rent Supplement Policies

	'Classic' Canadian Housing Allowances (BC, Manitoba, Quebec)	**Rent Supplements in Ontario**	**'Housing Allowances' in Ontario**	**Canadian Welfare Shelter Allowances**	**US Section 8 Vouchers**
Subsidy amount	Percentage of affordability gap (not RGI but amounts still sensitive to variations in incomes and rents of recipients)	Entire affordability gap (tenant pays RGI rent)	Flat amounts that bridge a portion of the affordability gap (not dependent on income or actual rent, ie. not RGI)	Actual rent up to a maximum	Entire affordability gap (instead of actual rent, it considers a predetermined Payment Standard based on Fair Market Rent for the area)
Paid to tenants or landlords?	Tenants	Landlords*	Landlords*	Tenants*	Landlords
Portable?	Yes	No*	No*	Yes	Yes
Wait Listed?	No	Yes	Yes	No	Yes
Utility costs covered?	No	Yes	Yes	Yes	Yes (higher Payment Standard allowed when utilities included in the rent)
Controls on housing quality?	No (except in Saskatchewan where housing units must be inspected; see Steele, 2007, p. 68)	Yes: Units are inspected and certificates of compliance from Fire Department must be provided (in most cases)	Yes: Units are inspected and certificates of compliance from Fire Department must be provided (in most cases)	No	Yes: Unit must meet minimum standards; annual inspections performed by housing authority
Available to welfare recipients?	No (except Yes in Quebec)	Yes	Yes*	Yes	Yes

*indicates some exceptions

2.2 Improving Housing Affordability/Reducing Poverty

There are two major interrelated but distinct roles of housing allowances. The first role is the housing policy role. Housing allowances help low-income families to afford adequate housing that meets their needs. Housing allowances are not meant to subsidize excessively spacious or luxurious housing, sometimes referred to as "upmarketing" (Stephens, 2005). As Peter Kemp (2007) has explained, "The role of housing allowances is to enable recipients to raise their level of housing consumption above that which they would otherwise be able to afford (but not to so high a level that they can be regarded as 'over-consuming' accommodation)" (p. 5).

Because housing allowances subsidize the consumption of housing they increase effective demand for housing and are therefore sometimes referred to as ‘demand-side’ housing policy.

The second closely related role of housing allowances is the social security role. Many housing allowances act as a type of income supplement. Through supplementing incomes, housing allowances allow families to reduce the proportion of their incomes spent on housing. This frees up money in recipients’ budgets to be spent on other things such as food and clothing (cf. Kemp 2007a). Thus, poverty reduction is a concomitant aspect of improving housing affordability and both of these objectives may be fulfilled with housing allowances. Given these duals roles of housing allowances, some researchers have characterized the approach as a “hybrid” between housing assistance and income support (cf. Fallis, 1993; Hulse, 2002).

Although there is considerable diversity in terms of how housing allowances are calculated among and within different jurisdictions, typically three variables are considered in the calculation of benefits: financial resources, household composition, and housing expenditure (Kemp, 2007a). Financial resources include income and may include other household assets. Household composition refers to the size of the family and any other factors (disability, for example) that may affect the need for housing. Housing expenditure refers to the cost of rent and in some cases the cost of utilities. In countries with housing allowance programs that are open to homeowners (such as Germany, New Zealand, and Sweden) the cost of mortgage payments is the main housing expenditure (Kemp, 2007a). The first of these three variables, financial resources, is a way of means-testing eligibility, while the other two variables, household composition and housing expenditure, describe housing need. Thus, housing allowances may be characterized as employing a mixture of means-testing and needs-testing (Steele, 1998). Most housing allowances put these three variables into a formula to calculate benefits. How formulae are set up can have important distributional effects. “Schemes may favour or disadvantage particular sizes or types of household or give relatively more or less help to people with high as opposed to low rents, and so on” (Kemp 2007a, p. 8). Because housing allowances may be “structured in virtually unlimited number of ways” (Finkel et al., 2006b, p. 6), it is important that when designing housing allowances, governments and policymakers start out with a clear understanding of the objectives of a given program (Finkel et al., 2006b).

Most housing allowance programs subsidize some or all of the gap between the recipients’ rent and what is considered an affordable rent. This is called the “affordability gap”

(Finkel et al., 2006a) approach. For those households who receive them, housing allowances can significantly improve housing affordability and reduce poverty. In the case of Australia's housing allowance program, researchers have shown that more than two-thirds of recipients would pay more than 30% of their incomes on rent if housing allowances were unavailable (Hulse, 2007). In the cases of Canada's provincial housing allowance programs, housing allowances reduce the housing affordability problem but do not eliminate it (Steele, 2007). Because Canadian housing allowances typically only subsidize a portion of the affordability gap, they still often leave recipients in core housing need spending more than 30% of their gross incomes on rent. Nevertheless, these programs still significantly ease the rent burden on low-income households. For example, among housing allowance recipients in Manitoba in the 1990s, before receiving housing allowances two-person families spent an average of 49% of their incomes on rent but after receiving housing allowances this declined to 34%. Similarly, Quebec elderly singles went from spending an average of 51% of their gross incomes on rent before receiving housing allowances down to 42% after receiving housing allowances (Steele, 1998). In the case of Manitoba's housing allowance program, the portion of the affordability gap that is subsidized is based on a formula that defines affordable rent as 25% of gross household income—a more generous approach than the standard 30% typically used in Canadian housing policy. As a consequence, although only a portion of the affordability gap is subsidized, in Manitoba housing allowances very often do bring rents below 30% of household income and therefore do take some households out of core housing need (Finkel et al., 2006a). But even when recipients remain in core housing need, housing allowances do reduce the depth of need. "The allowances do lift many households from the deep need category of paying more than 50% of income for rent, and help prevent the housing budget from eating up so much of income that households are forced into using food banks" (Steele, 2007, p. 75). By reducing the proportion of income spent on rent, affordability gap housing allowances have significant poverty reduction potential:

> The impact of the improvement in affordability should not be underestimated. When elderly recipients in Manitoba were surveyed to determine what effect the housing allowance had, the vast majority reported that they spent the savings in rent provided by the allowance on food. When asked what they would do if the allowance were eliminated, most responded that they would cut

> their food expenditure. (Survey by Minuk and Davidson, 1981 in Finkel et al., 2006a, p. 29).

Unlike ‘classic’ Canadian housing allowances, Canadian welfare shelter allowances subsidize tenants’ entire rents up to a maximum level (Fallis, 1993). Similarly, the British Housing Benefit is also an example of a housing allowance that covers recipients’ entire rents up to a maximum. Marion Steele (1998) calls this the “Actual Rent up to a Maximum (ARM)” approach. The ARM approach has been criticized because it makes housing appear as a free good and removes the element of moral hazard (Kemp, 2000, 2007). When the entire rent is subsidized there is no incentive for recipients to shop around for cheaper rent because any reduction in rent is accompanied with an equivalent reduction in housing allowance. In other words, recipients receive maximum benefits when their rents are at the maximum eligible level. An additional problem with the ARM approach is that very often landlords deliberately set their rents at the maximum level, thereby capturing most of the benefit and removing the poverty reduction potential of these programs (Steele, 1998).

A major criticism of housing allowances generally is that they may lead to rent inflation. This is because housing allowances increase effective demand for housing. Demand may increase as existing households may use the benefit to rent larger or higher quality housing. In addition, housing allowances may actually encourage the formation of entirely new households as young people and students may use housing allowances to move out of their parents’ homes. Similarly, roommates and others who are doubling up may use housing allowances to rent their own apartments (Steele, 1998). Unless increased demand is met with increased supply, higher rents are a likely outcome. This point is supported by the experience in France following a major expansion of housing allowances in the 1990s, which resulted in the number of households increasing by 3%. Among this increase, 19% were student households and 46% were one-person households. Rents in France increased by almost 9% in the two years following the expansion, even when controlling for other factors that might lead to rent increases. The rise in rents has been attributed to landlords and tenants tacitly agreeing to share in the housing allowance (Laferrère and Le Blanc, 2004). In contrast to housing allowances in other countries, since 1992 French housing allowances have been available to all low-income households including students and young single adults (Ibid.). In France, 23% of all households receive housing allowances—a figure far higher than the situation in most other countries (Kemp, 2007b). Part of the increase in demand witnessed in France in the 1990s can be countered by targeting of housing allowances such that students and young singles do not qualify (Steele, 1998). Steele (1998) has shown that Canadian affordability gap rent allowances, which are offered to a far narrower range of recipients than in France, have not resulted in increases in housing demand because most recipients have remained in the homes they were already renting. The risk of higher demand for housing and consequent rent inflation can be reduced by limiting both the number of households that qualify and by keeping subsidies relatively low (Finkel et al., 2006a). But in cases when housing allowances do increase demand for housing this must be met with an increase in supply in order to prevent rent inflation.

There is considerable debate as to whether housing allowances lead to supply increases. Some researchers have shown that housing allowances do increase supply (cf Galster, 1997; Sinai & Waldfogel, 2005). While others are more skeptical and argue that there is low supply elasticity in the low-end of the housing market. Low supply elasticity of low-cost housing is due to the fact that most low-cost housing starts off as moderately-priced housing and must age, deteriorate, and filter down before it becomes low-cost (cf. Susin, 2002). That means it takes a very long time for the market to add to the supply of low-cost housing, which means increased demand will lead to rent inflation. In the case of Section 8 vouchers in the US, Scott Susin (2002) found that vouchers increased rents by an average of 16% in the largest 90 metropolitan areas. The largest rent increases were found in metropolitan areas with high rates of voucher use. Unlike European and Canadian housing allowances, US Section 8 vouchers are rationed with a waiting list. This means that many low-income Americans who qualify for vouchers never receive them. Voucher-induced rent inflation in the US creates particular hardship for unassisted households who must compete with assisted households for housing. Thus, Susin argues that Section 8 vouchers do not spur increased supply but simply redistribute low-cost housing away from the unassisted to those who receive vouchers. The risk of rent inflation underscores the point made by many that housing allowances should not be seen as a replacement for purpose-built social housing (cf. Steele, 1998; Pomeroy, 2001). There needs to be both demand-side and supply-side housing policies working together because on their own, demand-side housing policies are not likely to lead to increases in low-cost housing supply and may lead to rent inflation (Pomeroy, 2001).

Marion Steele (1998) has compared affordability gap and welfare ARM (Actual Rent up to a Maximum) housing allowances in Canada and found that the affordability gap approach is less likely to lead to rent inflation and offers a number of other benefits as well. Steele uses the term "Rent and Income Conditioned (RIC)" to refer to affordability gap allowances, but in this discussion I use the term "affordability gap" because this is more consistent with terminology used throughout the literature. Specifically, Steele examined affordability gap allowances in BC, Manitoba, and Quebec and welfare ARM housing allowances in Ontario in the 1990s. Affordability gap allowances in Canada such as BC's SAFER program are not part of welfare programs and have different eligibility requirements. The shelter component of welfare can be viewed as an ARM housing allowance because it pays welfare recipients' entire rents up to a maximum level. Steele argues that housing allowances in BC, Manitoba, and Quebec are not leading to significant increases in housing demand or rent inflation. This is because paying a high rent relative to income is a pre-condition to receiving benefits—recipients are already consuming housing that is beyond what they can afford before they receive a housing allowance. In the year following the implementation of housing allowance programs for the elderly in BC and Manitoba, only about 12% of recipients moved, which is just one percent greater than the mobility rate of the control groups which did not receive housing allowances (Finkel et al., 2006a). In a survey of Manitoba housing allowance recipients, most respondents said they did not move to a new home after receiving a housing allowance and they would not move if the allowance were cut off (Steele, 1985). Similar results have been found in Quebec (Ibid.). Even among those who did move after receiving housing allowances, most did not experience significant rent increases (Finkel et al., 2006a). Most affordability gap allowance recipients use the benefit to offset some of the rent they would have paid anyways and do not use the money to consume additional housing. With affordability gap allowances there is little risk that landlords will increase rents for recipients because most landlords do not know that their tenants are receiving housing allowances and even if they did know they would have a hard time figuring out how much their tenants are receiving given the complexity of affordability gap benefit calculations (Steele, 1998). Thus, it seems that affordability gap housing allowances are not leading to rent inflation in Canadian rental markets. Finkel et al. (2006a) report:

> As for broad market effects, a comparison of increases in the rental component of the CPI [Consumer Price Index] between cities with housing allowances and similar, non-allowance cities (as well as

> Canada as a whole) shows no differences. Vacancy rate changes in Vancouver do indicate some tightening in that market relative to similar cities, but the change is not great. (p. 28)

But with ARM welfare housing allowances in Ontario in the 1990s, Steele (1998) found evidence that suggests landlords were raising rents for recipients and thereby capturing much of the benefit. In Ontario in the 1990s, the maximum eligible rent paid through welfare did not vary by region of the province even though rents themselves were highly geographically variable with the highest rents in the urban core of Toronto. This meant that the maximum eligible rent was quite generous for people living outside of Toronto and quite low for those in Toronto. In Hamilton and in St. Catharines-Niagara, maximum eligible rent was well above the actual mean rent for these cities, while in Toronto maximum eligible rent was below the mean rent. But regardless of whether welfare recipients were living in high rent Toronto or the lower rent smaller cities, still between 38 and 43 percent had actual rents that were above the maximum eligible rent. Steele (1998) found that with the ARM approach, “rents paid have much to do with the ceiling and rather little to do with mean market rent” (p. 224). Steele blamed “welfare landlords” in smaller Ontario cities for exerting monopoly power to raise rents up to the maximum eligible level. Steele also points out that, unlike affordability gap allowances which do not appear to lead to increased housing demand in Canada, with ARM welfare housing allowances the availability of welfare may induce young people to leave home and start their own households thereby leading to an increase in housing demand. Thus, in both these ways ARM housing allowances have more potential to lead to rent inflation than affordability gap allowances. This example also demonstrates the importance of structuring housing allowances in a way that is sensitive to the geographic variability within large jurisdictions such as Ontario.

This discussion suggests that the partial affordability gap approach may be more effective at reducing poverty than the ARM approach of subsidizing the entire rent up to a maximum. The affordability gap approach may be better at reducing poverty because it carries less risk of generalized rent inflation. For recipients, compared to welfare ARM housing allowances, affordability gap allowances are less likely to prompt landlords to raise rents up to the maximum level. Additionally, affordability gap allowances incentivize tenants to shop around for lower cost housing and thereby apply some of the housing allowance to other household expenses. But with the ARM approach, a reduction in rent results in an equivalent reduction in benefits, leaving little opportunity for families to economize on housing in order to get ahead.

2.3 Facilitating Tenant Self-Sufficiency

All means-tested social assistance, such as welfare, rent-geared-to-income (RGI) social housing, and housing allowances, is vulnerable to the criticism that it creates a work disincentive and reduces labour supply (Shroder, 2002). This is because assistance is based on income and so an increase in income (due to landing a job) will be accompanied with a decrease in assistance. In the literature, the decrease in assistance is sometimes called the marginal tax rate, although it is not a tax in the conventional understanding of that term (Steele, 1998). Recipients of means-tested assistance can maximize their benefits (and minimize their marginal tax rate) by permanently and strategically withdrawing from the labour force. Mark Shroder (2002) calls this the neoclassical hypothesis and although it is theoretically logical, he finds essentially no empirical support for it when it comes to housing assistance. Shroder reviewed 18 empirical studies on the work disincentive effects of US housing assistance (including public housing and Section 8 vouchers) and found a "short-term employment effect of zero" (p. 394). In terms of long-term employment effects, Shroder suggests the effect of housing assistance may in fact be positive given the findings of several studies that show that housing assistance enables the development of human capital, such as education, skills, and more positive attitudes.

Shroder's discussion lumps all forms of housing assistance together, including demand-side and supply-side assistance. But many studies have sought to examine the work disincentive effects of housing allowances in particular. In their analysis of Norway's housing allowance program, Nordvik and Åhrén (2005) found that the program had an exit rate of about 30% and that this was stable over a number of years. The fact that a sizable portion of recipients exit the program every year was interpreted as evidence that it does not create welfare dependency and a work disincentive.

In another study, this one from the Australian context, Hulse and Randolph (2005) conducted a survey of 400 tenants in search of work and compared the behaviours and attitudes of tenants in public housing to tenants in private housing in receipt of Rent Assistance, which is the name of Australia's affordability gap housing allowance program. The survey found no work disincentive effect for housing allowance recipients, whereas a significant minority (between

25% and 40%) of public housing tenants reported work disincentives. Although almost all the tenants in both groups were aware their benefits would be reduced or their rents would increase should they find a job, 80% of housing allowance recipients said they were not concerned about the loss of benefits, whereas only 41% of public housing tenants were not concerned about rent increases. Also, public housing tenants were less likely to move for a job because doing so would mean giving up the stability that comes with having rents based on incomes. For public housing tenants, moving out of public housing in order to be closer to employment opportunities would mean giving up the long-term benefit of rent based on income for a job that may only be temporary or part-time. Conversely, housing allowance recipients were more likely to indicate a willingness to move to a different neighbourhood or city in order to find a job. Housing allowance recipients were more likely to move because they have less to lose by moving. Thus, this study identified a major advantage of housing allowances over public housing when it comes to facilitating tenant self-sufficiency: “Rent Assistance [portable housing allowances] enables more flexibility for households in moving to areas where the prospects of work are better than in their current location” (Hulse & Randolph, 2005, p. 158).

The positive results from this Australian study pertain to an affordability gap allowance program that covers 75% of the affordability gap—a housing allowance program quite similar to the ‘classic’ Canadian housing allowances available in BC, Manitoba, and Quebec. The one study frequently cited as offering evidence that supports the presence of work disincentive effects of housing allowances is on the British Housing Benefit, which is an ARM housing allowance that pays the entire rent up to a maximum. In their study of British Housing Benefit recipients, Ford et al. (1996) found that approximately half of the respondents indicated they would not take jobs because doing so would lead to reductions in benefits. Similarly, Steele (1998) partially attributes the explosion in Ontario’s welfare case load in the 1990s to ARM housing allowances and their generous rent maximums in smaller cities outside of Toronto. Work disincentives have also been a concern in the case of the US Section 8 voucher program. Subsidies under the Section 8 voucher program are quite large because, unlike ‘classic’ Canadian housing allowances, the Section 8 program subsidizes the entire affordability gap (Finkel et al., 2006a). The ARM approach and to a lesser degree the full affordability gap approach seem far more likely to create a work disincentive and promote long-term welfare dependency than the partial affordability gap approach.

But even in the Ford et al. (1996) study, which found a significant work disincentive effect stemming from the British Housing Benefit, about one quarter of respondents said they would take a job even though they had calculated that they would lose benefits. For these respondents, taking a job was not merely an economic calculation—they wanted to work even though they would lose housing benefits because of their strong work ethic. This shows that when thinking about work disincentives it is important to remember that a variety of factors shape people's decisions about employment, including childcare availability, transportation (Hulse and Randolph, 2005), non-wage benefits (ie. health insurance) (Nordvik and Åhrén, 2005), opportunities for promotions and to develop new skills, the quality of jobs available, and a sense of pride that comes with working (Hulse and Randolph, 2005).

In summary, this review of literature finds very little empirical support for work disincentive effects stemming from housing allowances. But it seems that if there are work disincentive effects, these are more likely to occur with ARM housing allowances than with affordability gap allowances. Affordability gap allowances appear to be especially well suited to facilitating tenant self-sufficiency because they offer temporary assistance if a household experiences a short-term drop in income. The alternatives—welfare, ARM housing allowances, and moving into social housing all create more long-term dependencies (Steele, 1998). In addition, while living in RGI social housing discourages tenants from moving in search of work, affordability gap allowances are usually portable, which allows recipients to move to different neighbourhoods or cities in search of employment.

2.4 Targeting

In an environment of limited financial resources some degree of targeting of assistance is necessary. Programs that are highly targeted offer assistance to a smaller group of people, but this assistance may be more generous for those who qualify for the programs. Conversely, programs that are less targeted may offer smaller subsidies but to a greater number of households (Lundberg & Diskin, 1995). Compared to the alternatives, housing allowances are often seen as a better way of targeting assistance to low-income households (cf. Kemp, 2007a; Sinai & Waldfogel, 2005). Eligibility requirements and benefit calculations may be set up in such a way that only those in the greatest need receive assistance. In contrast, supply-side housing assistance is frequently "criticised for being 'indiscriminate' helping all households living in subsidized housing irrespective of their need for financial help" (Kemp, 2007a, p. 3). Indeed, a major criticism of Canada's non-profit and cooperative housing developed in the 1970s and 1980s was that too many units were occupied by middle income families who did not really require subsidies (Fallis, 1995). But housing allowances may be structured such that only those "that 'really need' help" (Kemp, 2007a, p. 3) are assisted.

But if housing allowances are too targeted the risk of creating work disincentives increases (Turner and Elsinga, 2004). The tension between targeting housing assistance and facilitating tenant self-sufficiency comes across in the case of the British Housing Benefit. As discussed above, as an ARM housing allowance, one of the most significant criticisms of the British Housing Benefit has been that it creates work disincentives because any increase in income comes with a corresponding decrease in Housing Benefit. But the work disincentive effect may be countered by disregarding some of recipients' increased earnings due to employment, that is, by making housing assistance less targeted to the very poor. Thus, in the British case, it was found that increasing work incentives means increasing program costs because more people qualify for more assistance (cf. Kemp, 2000).

The conflict here is between facilitating tenant self-sufficiency and targeting in terms of *means*-testing. That is, a work disincentive may be created if assistance is targeted to those of the least means (lowest incomes). But targeting may also be done in terms of *needs*-testing, that is, how much one must spend on rent in order to secure adequate housing given one's particular household needs. The US Section 8 voucher system has been criticized for not being sufficiently targeted in terms of needs-testing (cf. Turner and Elsinga, 2004). Unlike most housing allowance programs in Canada and Europe, while the US voucher program considers recipients' incomes (means), it does not consider how much they are actually spending on rent (needs) (cf. Steele, 2001). In place of actual rent, the housing voucher program calculates benefits based on the difference between affordable rent (defined as 30% of income, as in Canada) and a pre-determined Payment Standard (which is based on Fair Market Rents, which vary by metropolitan region). Because they do not consider actual rent, it can be said that Section 8 vouchers are means-tested but not needs-tested. Not all low-income tenants suffer the same degree of housing hardship if they are fortunate enough to find housing that is low-cost. This means that some households receive Section 8 vouchers even though they are not in serious housing need but simply because they have low incomes (cf. Turner and Elsinga, 2004). Although this may be seen as a shortcoming of the US voucher system, it does strongly promote the shopping around for lower cost housing (Steele, 2001). If recipients are able to economize on housing costs and shop around for lower rents, they keep more of the housing allowance for themselves to be spent on other household items (Steele, 2001). The less needs-targeted approach of Section 8 vouchers reduces the chance that recipients will over-consume housing because renting a more expensive unit will mean less money in recipients' pockets. Whereas targeting in terms of means-testing (income) conflicts with the goal of facilitating tenant-self sufficiency, targeting in terms of needs-testing (actual rent paid) conflicts with the goal of introducing an element of moral hazard such that tenants are financially rewarded for shopping around for lower cost housing. Thus, the issue of targeting is very much a balancing act. As Turner and Elsinga (2004) have explained:

> Better targeting has its price, as subsidies tend to be deeper for eligible households, producing high marginal effects and a work disincentive problem…The problem is to make the system well balanced: not so generous that it shelters households more than necessary and not so economical that it does not properly address the affordability problem. (p. 108)

2.5 Wait Lists

Housing allowances enable low-income households to rent accommodation in the private rental market. Theoretically, this is expected to reduce demand and wait lists for purpose-built social housing. But I can find no empirical evidence that supports this. Canadian housing allowance expert Marion Steele (1985) offered what is now very dated evidence that showed housing allowances in Manitoba and BC in the 1980s did *not* reduce wait lists for social housing. This is because, even with housing allowances, private rental housing was typically far more costly for low-income tenants than RGI social housing. Subsequent to publishing this study, Steele (1998) has expressed doubts that this finding can still be applied to the more recent context: "This evidence is more that a decade old and RGI scales in social housing have become less generous. It seems likely that housing allowances at present do affect the demand for social housing" (p. 213).

Beyond Canada, many authors have described how housing allowances have enabled the restructuring of welfare and housing policies away from project-based supply-side assistance to approaches more centred around the private rental market (cf. Kemp, 2007a). This is clearly the case with Section 8 vouchers in the US, which have been used to help relocate public housing tenants when housing projects have been demolished and redeveloped under the HOPE (Housing Opportunities for People Everywhere) VI program. About 30% of relocated US public housing tenants have been assisted with Section 8 vouchers (NHLP, 2002). After 1995, the US Department of Housing and Urban Development (HUD) stopped mandating one-for-one replacement of demolished public housing (Goetz, 2010). This means that a substantial portion of the 160,000 demolished public housing units will never be replaced and many relocated tenants will never return to public housing (NHLP, 2010). In effect, Section 8 vouchers have enabled a vast transfer of tenants out of the public housing system into the private rental market. Similarly, housing allowances have enabled the growth of the private rental sector in Britain (cf. Kemp, 2000; Stephens, 2005). Housing allowances have also been instrumental in the transition of Eastern European socialist housing systems to more market-oriented systems following the collapse of communism in Europe (cf. Hegedüs & Teller, 2005; Lykova et al., 2004). While none of these examples pertain to the issue of wait lists specifically, they do show that housing allowances offer an alternative to the more market-interventionist approach that purpose-built social housing represents. To the extent that housing allowances offer an alternative to social housing, it makes sense logically that they can reduce wait lists for social housing.

2.6 Community Development

The US Section 8 voucher program is unique among international examples of housing allowance programs because of its explicit social objectives (Hulse, 2001). Section 8 vouchers are an essential part of the US Department of Housing and Urban Development's (HUD) poverty deconcentration goals (cf. Briggs, 1998; Popkin et al., 2000; Varady & Walker, 2003). Under the Moving-to-Opportunity (MTO) experiment and the HOPE VI public housing redevelopment program, Section 8 vouchers are given to low-income public housing tenants to enable them to move out of public housing and into neighbourhoods with lower poverty rates where employment and educational opportunities are believed to be greater. Thus, Section 8 vouchers are a means of achieving social mix. In the case of MTO, Section 8 vouchers enabled tenants to move from neighbourhoods where poverty rates averaged 59% to neighbourhoods with poverty rates averaging 27% (Newman, 2007). Several studies have shown that when low-income tenants use Section 8 vouchers to move to more socially mixed neighbourhoods, their labour market and educational outcomes improve (cf. Kaufman & Rosenbaum, 1992; Popkin et al., 1993;

Rosenbaum, 1995). Thus, creating social mix can be viewed as a goal that is complimentary to facilitating tenant self-sufficiency. However, many researchers have challenged the notion that moving to socially mixed neighbourhoods confers benefits to low-income tenants and have pointed to the losses tenants experience due to leaving their social support networks in their former public housing neighbourhoods (cf. Curley, 2008; Greenbaum et al., 2008; Manzo et al., 2008; Thomson, 2010). Outside of the US, housing allowances have not been used to promote social mix and reduce concentrated poverty—at least nowhere near to the extent that this has happened in the US. But many countries do promote social mix in other ways and the US case demonstrates that housing allowances are a policy instrument that can be used with this objective in mind.

By enabling tenants to live in socially mixed neighbourhoods, Section 8 vouchers are intended to remove the stigma that comes with living in public housing projects. Ironically, Section 8 vouchers themselves may also stigmatize tenants. This is because of the three-way relationship that is created by the tenant, the landlord, and the government. Unlike most housing allowance programs in Canada, in the case of Section 8 vouchers landlords know that their tenants are recipients of aid. This can have a stigmatizing effect on tenants (Steele, 2001). Another issue is that Section 8 vouchers require tenants to move. Once a tenant receives a voucher they have 60 to 120 days to find a housing unit that meets the habitability requirements of the program. Once an adequate unit is found, a landlord must agree to participate in the Section 8 voucher program (Newman, 2007). Discrimination against Section 8 voucher recipients is a "widespread problem" (Tritt, 2008) because many landlords do not want to accept tenants who they perceive as being troubled or high risk (cf. Beck, 1996). A 1985 study from Boston found that 79% of Section 8 participants were rejected by landlords who refused to participate in the program (cf. Mulroy, 1988 in Beck, 1996). Landlords may discriminate against Section 8 tenants "as a proxy for other legally prohibited kinds of discrimination, such as that based on race, ethnicity, national origin, gender, family status, or disability" (Beck, 1996, p. 155).

In Canada, a related issue is the stigma associated with collecting welfare. Many landlords are unwilling to rent to tenants who receive welfare (cf. Murray 1990 in Steele, 1998). In her comparison of affordability gap (which she calls 'RIC"—Rent and Income Conditioned) and welfare ARM (Actual Rent up to a Maximum) housing allowances, Steele (1998) found that the lack of welfare stigma was an additional benefit associated with the affordability gap/RIC approach:

> There is some indication that the relative absence of welfare stigma is an attraction for families. Manitoba authorities have found that some families apply for the housing allowance despite the fact that they are eligible for much more assistance from the welfare system, presumably partly because of the greater stigma and more degrading and time-consuming application process associated with welfare (Steele, 1985b). Perhaps crucially families know that landlords need not know they are receiving a RIC [affordability gap allowance]. (p. 225)

2.7 Minimizing Administration Costs

In the Canadian provinces that have offered them, experience has shown that housing allowances do offer a method of providing housing assistance that is relatively inexpensive. Steele (1998) argues that affordability gap housing allowances "are among the few Canadian housing programs without explosive costs in the 1980s" (p. 211). In 1993, the total cost of affordability gap allowances in Canada was $70 million—a figure Steele (1998) characterizes as "puny" (p. 211) compared to the $3 billion spent on other housing programs that year. The impact of affordability gap allowances was not insignificant in 1993. Steele estimates that about 72,000 households received affordability gap allowances in 1993, representing about 2% of all tenant households in Canada.

The literature on housing allowances does not have much to say on the administration of housing allowances perhaps because administration is "less exciting" (p. 664) than many other issues relating to housing allowances (Priemus and Kemp, 2004). But one study that did look at administration of housing allowances is Priemus and Kemp's (2004) examination of housing allowance programs in Britain and the Netherlands, which found high administration costs to be a much larger problem in Britain. In the case of the British Housing Benefit, the program is burdened with a number of complex rules designed to prevent recipients from over-consuming housing or upmarketing. Whereas most housing allowance programs deal with this issue in the formula used to calculate benefits, the British system is less based on a formula and more based on a number of administrative rules (Kemp, 2007c). This seems to have added to the administration costs of the British Housing Benefit (Priemus and Kemp, 2004). Priemus and Kemp (2004) argue that the British Housing Benefit "is too finely tuned to individual circumstances; and adjustments to entitlement are made even when quite minor changes in claimants' circumstances take place" (p. 665). In addition, the administrative rules for the British program frequently change (Ibid.). It seems that the best way to minimize administration costs is to set up housing allowances with a few simple eligibility criteria and a benefit calculation formula that is robust enough to distribute benefits in a way that reflects government objectives but that does not require layers of additional regulations to prevent abuse.

The next chapter discusses the specific housing allowance and rent supplement programs currently in Ontario. There are several programs in Ontario and it is important to provide a basic description of these programs in order to understand the empirical results from my interviews and document analysis.

3. RENT SUPPLEMENT AND HOUSING ALLOWANCE PROGRAMS IN ONTARIO

Rent supplements have been available in Ontario since the National Housing Act was passed in 1973 (cf. Rose, 1980). Since the Ontario Social Housing Reform Act devolved responsibility for housing to local governments in 2000, the number of rent supplement/housing allowance programs and practices has grown significantly in Ontario. After devolution, local governments have had the authority to customize some aspects of provincial programs and also create their own municipal programs.

3.1 Social Housing Reform Act rent supplements

Before devolution, there were two main rent supplement programs: Commercial Rent Supplement and Ontario Community Housing Assistance Program (known as 'OCHAP'). The Commercial Rent Supplement program involved contracting rental units in the private market whereas OCHAP involved market rental units owned by non-profit societies. In the 1970s, rental units were typically under contract for 15-year terms, which is far longer than the current practice of three- to five-year rental agreements (Parai et al., 2005). Before devolution, these programs were rigidly divided such that housing administrators would be given rent supplement allocations for a specified number of units in the private rental market (Commercial Rent Supplement) and a specified number of units that were market units in the non-profit sector (OCHAP). There was no flexibility to transfer some of the allocation for non-profit market units to private rental units or vice versa. With the passage of the Social Housing Reform Act, these two programs were consolidated and local housing administrators were given the flexibility to decide how many rent supplement units to allocate in the private rental market versus the non-profit sector. Today, these rent supplements are known simply as Social Housing Reform Act rent supplements.

Social Housing Reform Act rent supplements are currently being applied to over 21,000 rental units across the province. The value of the subsidy is the difference between what tenants can afford to pay (about 30% of gross income) and the actual market rent. Thus, the entire affordability gap is subsidized and tenants pay RGI rents. Tenants must be eligible to be on the social housing waiting list. Local Service Managers have direct responsibility of the delivery of the program, although program rules are set up by MMAH. There are no expiry dates attached to this program, thus the program is ongoing.

3.2 Strong Communities Rent Supplement Program

In 2004, the Strong Communities Rent Supplement Program was unveiled The program is very similar to the Social Housing Reform Act rent supplements. Like the older rent supplement program, the Strong Communities program involves contracting rental units in the private and non-profit sectors. Units are contracted for three to five year terms. Tenants pay RGI rents and the subsidy makes up the difference to the market rent. Tenants must be eligible to be on the social housing waiting list (MMAH, 2004). The program is about one-third the size of the Social Housing Reform Act rent supplements, with 6845 funded units across Ontario at full take up.

MMAH has overall responsibility for the Strong Communities program, although Service Managers are responsible for local implementation and administration. Part of the program involves partnerships with the Ministry of Health and Long-Term Care and the Ministry of Community and Social Services to provide supportive housing for special needs tenants, such as tenants who are victims of violence or have developmental disabilities, mental health, and/or substance abuse issues. The program is scheduled to expire in 2023 (Ibid.).

The Strong Communities Rent Supplement Program was born out of a redesign of two former rent supplement programs (Rent Supplement Homelessness Initiative and New Tomorrow Rent Supplement Program) (Region of Peel, n.d.). Compared to its predecessors, the Strong Communities program offers Service Managers more local flexibility in a number of areas. Under this program Service Managers have greater flexibility around unit allocation and tenant selection. Service Managers may select tenants from their centralized social housing waiting lists or create their own waiting lists specifically from the Strong Communities program. If creating a separate waiting list, Service Managers do not need to follow the SHRA rules around which categories of applicants get special priority status. Under this scenario, Service Managers may establish their own rules around ranking and priority assigned to different types of housing applicants. Service Managers may also accept referrals from social service agencies. In all cases, participating tenants must be eligible to be on the social housing waiting list. The Strong Communities program involves less administrative paperwork and a more streamlined reporting process.

The Strong Communities program includes what is called a "Direct RGI" pilot initiative. The Direct RGI initiative represents an Ontario experiment with portable, tenant-based housing allowances. Under this option, subsidies are attached to tenants and landlords do not know their tenants are receiving subsidies. Typically, tenants are required to show their rent receipts to municipal social services staff every month in order to receive the subsidy. Tenants do have market choice under the Direct RGI option so it does fit with the academic definition of 'housing allowances'. As a portable housing allowance, the Direct RGI option resembles US Section 8 vouchers more closely than 'classic' Canadian housing allowances. Under the Direct RGI option, the entire affordability gap is subsidized and, as its name suggests, tenants pay RGI rents. Also, even with the Direct RGI option, rental units must be "fit for habitation" (MMAH, 2004, p. 3) and be in compliance with Building and Fire Codes. In addition, the Strong Communities program (including the Direct RGI option) is a wait-listed program that is not made available to everyone who meets the eligibility requirements. The Direct RGI option is available to welfare recipients. These are all features of US Section 8 vouchers that are absent from 'classic' Canadian housing allowances available in other provinces. Given its experimental nature, before pursuing the Direct RGI option, Service Managers must receive approval from MMAH (Ibid.).

3.3 Housing Allowance/Rent Supplement (known as HARS)

Unveiled in 2006, the Housing Allowance/Rent Supplement program (known as 'HARS') is part of the Canada-Ontario Affordable Housing Program, which is a federal-provincial cost-shared program. Like the programs described above, HARS involves contracting rental units in the private and non-profit sectors. Payments are attached to specific units and flow directly to landlords. Funding is for 3721 units for five years. Of the 47 Service Managers in Ontario, 36 are participating in HARS (MMAH, 2010). Tenants must be eligible to be on the social housing waiting list. But Service Managers do not have to select tenants in the order of priority on the waiting list and they do not have to give households that are classified "special priority" the first priority for HARS. The one exception to this is that the program stipulates that 10% of HARS units must go to victims of domestic violence. Service Managers may select tenants that are referred by social service agencies, so long as they are eligible to be on the social housing waiting list. Service Managers also have some flexibility around frequency, methods, and procedures of income-testing (but this must be done at least once a year, except in the case of seniors with fixed incomes) (MMAH, n.d.). HARS subsidies are not portable and tenants generally do not self-select units in the private market. Thus, according to the academic definitions, HARS is more accurately classified as a rent supplement program than a housing allowance.

There are several key differences between HARS and the rent supplement programs described above. The biggest difference is that HARS subsidies are pre-determined flat amounts that have no relationship with recipients' incomes or rents. Thus, HARS tenants do not pay RGI rents. For example, subsidies may be $150 for one-bedrooms, $250 for two-bedrooms, and $350 for three bedrooms. In this example, a one-bedroom unit may be under contract for $650 a month for five years. The HARS subsidy would be $150 paid from the municipality directly to the landlord. The tenant would be responsible for paying the remaining $500 every month. Unlike the other programs, this is not RGI because what the tenant pays (in this example, $500) is not based on the tenant's income. In most cases this means HARS tenants remain in core housing need, spending more than 30% of their incomes on rent. But in my interviews with local housing administrators, I was told that there are some cases under HARS when the flat subsidies bring tenants' rents below 30% of their income and tenants are doing better than if they were in an RGI situation. This would only be the case for units with very low market rents. Although typically thought of as flat-amounts, some Service Managers have set their HARS subsidies such that the amounts do vary for different client groups, such as OW and ODSP recipients. This is done to try to avoid reductions in the shelter component of OW or ODSP due to a high HARS subsidy. But still, unlike rent supplements and 'classic' Canadian housing allowances in other provinces, the HARS subsidies do not vary by individuals' incomes and rents. Another distinguishing feature of

HARS as compared to the other rent supplement programs is that HARS funding is strictly time-limited with all subsidies expiring by March 2013. The HARS program does not permit 'in situ' arrangements and all participants must move to a new residence when coming into the program. HARS is the only program that prohibits 'in situ' arrangements.

The time-limits and the shallower subsidies offered under HARS (as compared to the other programs) reflect the fact that HARS was conceived as an "exceptional, interim measure to enable service managers to respond immediately to requests by low-income households for affordable housing" (MMAH, n.d., p. 2). HARS is a way of providing at least some assistance on a temporary interim basis while a household waits for a more long-term solution. Typically, HARS recipients remain on the centralized social housing waiting list while receiving the HARS subsidy. This does not happen with the other rent supplement programs—with the other programs, when somebody receives a rent supplement they are removed from the wait list for social housing. The hope with the HARS program is that while receiving HARS, recipients will be offered more permanent RGI social housing or be placed in one of the long term RGI rent supplement programs.

3.4 Rental Opportunity for Ontario Families (known as 'ROOF')

Starting in 2008, this program is entirely managed by the provincial government, with MMAH having direct responsibility and the Ministry of Revenue and Ministry of Finance responsible for the operations of the program. This is a fully portable rent subsidy that is attached to tenants as opposed to units. Eligibility requirements include minimum employment income of at least $5000, Adjusted Family Net Income below $20,000, at least one dependent child under the age of 18, paying more than 30% of income on rent, having less than $10,000 in liquid assets, and not receiving Ontario Works, Ontario Disability Support Program, or another rent subsidies. Recipients may receive benefits for a maximum of five years (MMAH, n.d.). Benefits are a flat amount of $100 per month. There is a finite number of subsidies available under the program. About 21,500 families have been assisted under the program. The program is scheduled to expire in December 2012. Because this program is handled entirely by the provincial government, the municipal housing administrators I interviewed had very little to say about.

Given that ROOF tenants enjoy full market choice, this program does meet the academic definition of 'housing allowances'. In contrast to Ontario's earlier experiment with portability under the Direct RGI component of the Strong Communities program which more closely resembled US Section 8 vouchers, the ROOF program shares some similarities with both ‘classic’ Canadian housing allowances and US Section 8 vouchers. Similarities between ROOF and ‘classic’ Canadian housing allowances include full portability, the exclusion of welfare recipients, no habitability requirements, and instead of being RGI these are partial affordability gap subsidies. But whereas ‘classic’ Canadian housing allowances use formulae to calculate how much of the affordability gap is subsidized, the ROOF program is a flat $100 subsidy. ROOF is similar to US Section 8 vouchers in that it is a strictly budgeted program with only a finite number of subsidies available. Another difference from ‘classic’ Canadian housing allowances is that ROOF subsidies are time-limited.

3.5 Short Term Rent Supplement Program (STRSP)

The Short Term Rent Supplement Program is the most recent rent supplement program in Ontario, having only started issuing payments in January 2011 (retroactive to July 2010). This program contains shared and direct delivery options to assist 8800 households across Ontario. The shared delivery component is a portable housing allowance paid directly to tenants from the Ontario Ministry of Revenue. Payments are flat amounts between $100 and $250 per month, with specific subsidy amounts decided by Service Managers. The program is strictly time-limited and is scheduled to expire in December 2012. Program administration of the shared delivery component of STRSP is handled by the provincial government. The role of municipal governments is limited to identifying target client groups, determining flat subsidy amounts, and distributing applications in their communities (City of Hamilton, 2010; City of London, 2010; City of Kingston, 2011). The Ontario provincial government has made arrangements with the federal Revenue Canada such that the cash subsidies paid to tenants will not be considered taxable income. Because the shared delivery component of this program allows full market choice, it may be considered a ‘housing allowance’ as defined in the academic literature. The shared delivery component shares the same similarities and dissimilarities with ‘classic’ Canadian housing allowances and US Section 8 vouchers as does the ROOF program discussed above.

In addition to the shared delivery component, municipalities may opt to participate in the direct delivery component of STRSP. The direct delivery component operates essentially the same as HARS: subsidies are attached to units not tenants (that is, it is not portable), subsidies are pre-determined flat amounts (that is, tenants do not pay RGI rents), subsidies are strictly time-limited, and tenants remain on the social housing waiting list while receiving the subsidy (City of Hamilton 2010; City of London, 2010). But unlike HARS, the STRSP does allow ‘in situ’ arrangements, that is, tenants may receive subsidies in their current residences and do not have to move in order to qualify for the program. Those municipalities that wish to participate in the direct delivery option must prepare a business case for MMAH for consideration. The City of Kingston is an example of a municipality that has been approved for the direct delivery component. The City of Kingston anticipates that approved funding under the direct delivery component of STRSP will be sufficient for 18 rental units (City of Kingston, 2011).

3.6 Locally created programs

In addition to the programs described above, many municipalities in Ontario have developed their own rent supplement and housing allowance programs. Municipalities may use block funding provided by the provincial government or their own municipal tax revenues for this purpose. Municipalities create their own programs so they can enjoy maximum local flexibility to respond to particular circumstances in their communities. A municipality may create a local rent supplement or housing allowance because a particular need has been identified in the local community. Many municipalities have created their own flat-amount ‘Housing Allowance’ programs that allow in situ arrangements in order to get around the prohibition against in situ arrangements in the HARS program. In addition to creating their own programs, it is not uncommon for municipal governments to top up the funding for provincially-funded programs. For example, some municipal governments have enhanced the subsidies under HARS or STRSP (direct delivery) with their own local money. This category of programs contains enormous variability and it is very hard to make generalizations.

One example of a locally-created program is the Toronto Social Housing In-Situ Allowance Program. Under this program, market rent tenants living in non-profit or co-operative buildings may receive temporary assistance lasting up to 18 months if they can demonstrate an involuntary drop in income after October 2008 associated with the recession (City of Toronto, 2009). In addition to these requirements, in order to receive the subsidy, a tenant must be eligible to be on the centralized social housing waiting list and be spending more than 50% of their income on rent and not be receiving Ontario Works or Ontario Disability and Support Program benefits. In the neighbouring Region of Peel, the Market Rent Allowance Initiative is very similar as it was also designed in response to the needs of market renters in the non-profit sector who have been negatively affected by the recession (Region of Peel, 2010). These are examples of programs created entirely at the local scale and designed to meet the needs of tenants who find themselves in highly specific circumstances. Figure 3 compares the five rent supplement and housing allowance programs currently being offered in Ontario (except for locally-created programs, which feature an enormous degree of variability).

Figure 3 **Rent Supplement and Housing Allowance Programs in Ontario, 2011**

	Social Housing Reform Act rent supplements	**Strong Communities Rent Supplement Program**	**Housing Allowance/ Rent Supplement (HARS)**	**Rental Opportunity for Ontario Families (ROOF)**	**Short Term Rent Supplement Program – Shared Delivery**	**Short Term Rent Supplement Program – Direct Delivery**
RGI?	Yes	Yes	No	No	No	No
Subsidy Amount	Full affordability gap (based on incomes and rents)	Full affordability gap (based on incomes and rents)	Pre-determined flat amounts (not based on incomes or rents)	Pre-determined flat amount of $100 (not based on incomes or rents)	Pre-determined flat amounts (not based on incomes or rents)	Pre-determined flat amounts (not based on incomes or rents)
End Date	Ongoing	2023	March 2013	Dec. 2012	Dec. 2012	March 2013
Units	21,000	6845	3721	21,500	8800 (shared and direct)	
Paid to tenants or landlords?	Landlords	Landlords (payments made to tenants under Direct RGI option)	Landlords	Tenants	Tenants	Landlords
Portable?	No	No (except with Direct RGI option)	No	Yes	Yes	No
'In Situ' Allowed?	Yes	Yes	No	Yes	Yes	Yes
Eligibility Require-ments	Eligible to be on the social housing waiting list	Eligible to be on the social housing waiting list	Eligible to be on the social housing waiting list	-Adjusted Family Net Income is between $5000 and $20,000 annually -30% of income spent on rent -Employed -Not on OW/ODSP -At least one dependent child under 18 years old	Eligible to be on the social housing waiting list	Eligible to be on the social housing waiting list

4. RENT SUPPLEMENTS: THE ADVANTAGES AND CHALLENGES

As discussed in Chapter 2, there are a number of advantages associated with rent supplements that do not come with portable housing allowances. Many of the housing administrators I interviewed strongly support rent supplement programs. One administrator explained some of the benefits of rent supplements compared to purpose-built social housing:

> *I think it* [rent supplements] *is better than building* [social housing]. *It's less money. It is less administration because you're not dealing with all the social issues at that building. Construction is very expensive. I strongly believe that if you want to help people fast, you provide rent supplements. If you're looking at building, it may be two or three years down the road and so many people need the subsidies today. It's quick, it's easy, it's efficient, it's less administration dollars compared to managing a unit that you own. So I'm a huge advocate for rent supplements.*

Expanding on some of the advantages of rent supplements noted in the academic literature, local housing administrators described three advantages associated with Ontario's rent supplements that attach subsidies to units: housing quality, placing the 'hard-to-house', and lower market rents.

As noted in the literature, with the rent supplement approach, housing administrators can ensure the quality of the housing that is being subsidized. In most cases, units that are subsidized are physically inspected by the municipalities and certificates of compliance from the Fire Department are required. Once under contract, periodic inspections of buildings may also be carried out. Some specific programs (such as Strong Communities and HARS) do give Service Managers permission to accept private market units that do not conform to the occupancy standards of purpose-built social housing as defined in the Social Housing Reform Act (cf. MMAH, 2004; MMAH, n.d.). Nevertheless, with all these programs, local governments have some control over the quality of housing that is subsidized. As one local housing administrator said:

> *We do make sure they've had a fire inspection and if necessary we would send in a building inspector if there was any issue. I am very cognizant of the fact that we don't want money going to slummy rooming houses where people are living in less than adequate accommodations.*

Thus, with the rent supplement approach local governments have a great deal of control over the quality of the housing that is being subsidized. But when payments are made to tenants directly and tenants self-select units in the private market (as is the case with 'classic' Canadian housing allowances), the government relinquishes control over the quality of housing that is being subsidized. This opens up the potential for government funds to be used to subsidize overcrowded slum conditions—a policy outcome that many would find undesirable. For example, many of the Single Room Occupancy hotels in Vancouver's Downtown Eastside are inhabited by seniors who receive housing allowances under BC's Shelter Aid for Elderly Renters (SAFER) (Work Safe BC, n.d). Many of these hotel rooms have serious health and safety shortcomings (cf. Pivot Legal Society, 2006) and probably would not pass the physical inspections that happen under Ontario's rent supplement programs. The Ontario rent supplement approach avoids this problem of subsidizing slum housing.

A second advantage associated with Ontario's rent supplement approach is the ability to find housing for the 'hard-to-house'. The 'hard-to-house' include people with "particular behaviours (eg. aggressiveness), visual appearance or lack of social skills that are difficult for housing providers or other tenants to deal with" (Gurstein & Small, 2005, p. 724). Given the challenges they present, many landlords are reluctant to rent to the 'hard-to-house'. Some of the housing administrators I interviewed said that rent supplements make it is easier to convince landlords to accept 'hard-to-house' tenants that may present challenges for a tenancy. This is because landlords are guaranteed to receive at least some of their rent from the municipality. In addition, housing administrators are in a better position to negotiate with landlords than if the hard-to-house clients had to find the private market housing on their own.

The ability to negotiate lower rents is the third advantage that comes with Ontario's rent supplement programs. When contracting rental units under the rent supplement programs, local housing administrators directly negotiate the rental rates with private landlords. They often negotiate deals involving large numbers of units, perhaps as many as 20 units from one landlord. Rental units are typically under contract for three- to five-year terms. This creates significant opportunities to negotiate down the rental rates. Many housing administrators say they talk down the price that landlords are asking for. For example, if a landlord is asking $1000 for a unit, the housing administrator may point out that the CMHC market average is $800. Although housing administrators do say they tend to allow maximum rents that are slightly higher than CMHC market averages, perhaps as high as 120% of the market average. But that is only because CMHC market averages do not always reflect the true state of the rental rates for vacant units. Very often negotiations result in landlords agreeing to lower their rents, sometimes significantly. When large numbers of units are being negotiated for leases that last several years, landlords are able to reduce their rates because of economies of scale. Professional housing administrators who are employed by municipal governments are likely in a better position to negotiate down rents than an individual tenant who is self-selecting a unit in the private market. A major criticism of demand-side housing allowances is that they may lead to rent inflation and the landlord captures much of the benefit. But with Ontario's rent supplement approach, it seems likely that the opposite is happening and that the programs are actually bringing down rents, thereby allowing the subsidies to help even more tenants. Indeed, as another researcher noted, rent supplements carry the advantage that "landlords [are] unable to engage in predatory rent practices through the government's role in monitoring the rental market" (Parai et al., 2005, p. 14). Future research should attempt to quantify the extent to which rental rates in rent supplement units are lower than rates in the rental sector more generally. It is very likely that the rental rates for rent supplement units are statistically significantly lower than rental rates for comparable units that are outside of a rent supplement program.

Several housing administrators I interviewed indicated that an additional advantage associated with rent supplements as opposed to housing allowances that provide cash directly to tenants is that the rent supplement approach avoids undesirable income tax ramifications. Many housing administrators in Ontario are under the impression that if the cash benefits went straight to the tenants, the tenants would have to pay income tax on the benefits. But experience shows this is not necessarily true. Many Canadian provinces have been offering cash housing allowances to tenants directly for several decades without tenants having to pay income tax on the benefits. For example, BC's SAFER program has been in operation for over 30 years and recipients have never had to pay income tax on these benefits. More recently in Ontario, cash benefits are being paid directly to tenants as part of the Short Term Rent Supplement Shared Delivery program and in this case as well benefit recipients do not pay income tax on the money received. Experience shows that provincial governments can make arrangements with Revenue Canada such that housing allowances paid directly to tenants are not deemed taxable income.

While the Ontario rent supplement approach carries a number of benefits compared to demand-side portable housing allowances paid directly to tenants, the rent supplement approach also involves several challenges when it comes to entering into partnerships with private landlords. Housing administrators invest a great deal of time and effort into recruiting landlords into the program and maintaining relationships with existing landlords. As noted in Chapter 2, rent supplements work best in rental markets with relatively high vacancy rates. Thus, even more effort must be put into the task of recruiting landlords in rental markets where the vacancy rate is low. As one administrator in a rental market with a very low vacancy rate said, "*We don't have a lot of carrots to dangle in front of landlords to make them want to participate in any kind of rent subsidy program because they can get market tenants easily.*" Thus, some housing administrators have had to get very creative in order to recruit landlords. Figure 4 shows a number of strategies that have been developed when it comes to recruiting landlords and contracting more units. This is important because these are examples of the very kind of local innovation that this study seeks to uncover. More examples of local best practices as well as ongoing challenges are included in the next chapter, which discusses the six key policy areas this study focuses on.

Figure 4 Strategies for Seeking and Holding onto Rental Units in the Private Market

The rent supplement approach relies on government agencies renting units from the private rental market. This can be especially difficult in rental markets with low vacancy rates. The municipal housing administrators I interviewed have developed a number of strategies for seeking out units and maintaining good relationships with landlords:

- Placing ads in newspapers
- Hosting information sessions for landlords
- Networking and attending conferences of the GTAA (Greater Toronto Apartments Association) and FRPO (Federation of Rental-housing Providers of Ontario)
- Keeping a list of landlords that have been good partners in the past and contacting them again as needed
- Allowing 'In Situ' arrangements because the landlord has pre-established positive relationship with a particular tenant and they do not want to lose that tenant to RGI social housing
- Allowing a contracted unit to revert back to the landlord if and when a tenant moves out (because the landlord only wanted to be part of the program with their particular tenant but they do not want to accept an unknown tenant from the RGI list)
- Allowing landlords some degree of choice over who gets to move in. This is done by sending them two people from the RGI list, the landlord interviews both prospective tenants and selects one
- Frequently reminding landlords that you are looking to contract additional units and for them to contact you if they get any vacancies or if they buy any additional apartment buildings
- Allowing reasonable rent increases, especially when landlords' costs go up
- Establishing a special fund to partially compensate landlords in cases when rent supplement tenants have caused excessive damage to units. For example, if there is $6000 worth of damage above normal wear and tear, the municipality may give the landlord $2700 to help with those costs. The purpose is to maintain a positive relationship with the landlord.

5. LOCAL SUCCESSES AND ONGOING CHALLENGES IN SIX KEY POLICY AREAS

In Ontario, devolution of responsibility for housing to the local level in 2000 has resulted in considerable variability in housing policy and programs at the local level. Local governments have been empowered to customize many aspects of provincial housing allowance and rent supplement programs. In addition, local governments may create their own programs. With 47 Service Managers each essentially acting as their own policy laboratories there exists enormous potential to experiment with different approaches and to find out which methods work well in some respects but may be less effective in some other respects. But local innovation is less valuable when it cannot be replicated by others. Thus, the goal of this research project has been to identify best practices at the local level when it comes to housing allowances and rent supplements. Inevitably, I have also come across a number of challenges for these programs as well. Through my interviews with local housing administrators and my analysis of housing policy documents, I have sought to understand local best practices and challenges for six key aspects of housing allowance and rent supplement programs: reducing poverty/improving housing affordability, facilitating tenant self-sufficiency, targeting, wait lists, community development, and minimizing administration costs. This chapter is perhaps the most important chapter in this report because it presents these findings. The subsequent sections of this chapter discuss each of these six key areas in turn.

5.1 Reducing Poverty/Improving Housing Affordability

Most of the housing administrators I interviewed indicated that they believe Ontario's rent supplement and housing allowance programs do help reduce poverty and improve housing affordability. For those who receive them, rent supplements and housing allowances can have a significant impact as the subsidies often make the difference between buying groceries or going to the food bank. But many local housing administrators say more needs to be done in terms of offering deeper subsidies to more households in core housing need. Many interview participants emphasized that affordable housing, although extremely important, is only one element is a broader mix of policies and services that are needed to help bring people out of poverty. As one interview participant eloquently explained:

> *We do not believe putting a roof over your head is the end solution. We think it's the beginning. If you're struggling with poverty, the first thing we got to do is get you an affordable, comfortable place*

> *to stay. Then once you've stabilized your living arrangements, now you may need support services…you may need some employment skills, you may need some life-coping skills, you may need to deal with an addiction, you may need to deal with a host of things that's going on in your life. We don't like to do what we call 'the dump and run': "Oh, we've got him a good place, it's 30% of their income, see you." And then the person is left to struggle with whatever got them in the bind in the first place…We believe support services is at the centre of maintaining a successful tenancy.*

As discussed in Chapter 2, within Ontario, 'rent supplements' bridge the entire affordability gap such that tenants pay RGI rents roughly equivalent to 30% of their incomes whereas 'housing allowances' are pre-determined flat amounts that have nothing to do with individuals' incomes or rents. Several interview participants said that the rent supplement approach is a more effective way of reducing poverty because it is full RGI, whereas the housing allowance approach still leaves many households in core housing need. On the other hand, some interview participants said the housing allowance subsidies (which tend to be shallower than the full RGI rent supplements) are effective at reducing poverty because they can be stretched to assist more households. As one housing administrator remarked, "*I could probably serve three families with the housing allowance for one RGI* [rent supplement] *subsidy*". There is a conflict between offering deep subsidies to a limited number of households or offering shallower subsidies to a larger number of households. The housing administrators I interviewed offered opinions on both sides of this conflict.

Some interview participants indicated that there are some cases in which the housing allowance flat amounts actually do take families out of core housing need and may reduce the rent they pay such that it even less than 30% of their incomes, rendering households better off than if they were in an RGI program. This can happen with pre-determined flat-amount housing allowances because the subsidy amounts do not vary according to individual circumstances in terms of incomes or rents. For example, if a housing allowance subsidy is $200, it will remain at that level regardless of whether an individual's market rent is $500 or $800 and regardless of whether an individual's income is $10,000 per year or $18,000 per year. For program participants with relatively low rents and relatively high incomes (but low enough incomes that they still qualify for the program), it is possible for a flat housing allowance to offer a subsidy that is even deeper than an RGI subsidy. I heard about this from interview participants in smaller communities with lower rents rather than those in the larger urban centres where rents tend to be higher. There is a certain lack of fairness to the flat-amount system. For example, the same flat subsidy may bring rents down to 25% of income in some households while perhaps bringing rents down to 45% of income in other households. It seems that some of the subsidy going to families who pay 25% of their incomes on rent should be redirected to the families that pay 45% of their incomes on rent. This would happen if the subsidy amount varied according to individuals' incomes or rents. It is possible to do this without doing full RGI subsidies. 'Classic' Canadian housing allowances in other provinces are not full RGI; they do not bridge the entire affordability gap and they do still leave recipients in core housing need. But 'classic' Canadian housing allowances do use formulae such that subsidy amounts vary depending on individuals' incomes and rents. This prevents the situation that is happening with housing allowances in Ontario in which some recipients do better than RGI (more likely to be in a smaller town with relatively lower rents) while other recipients are still spending far more than 30% of incomes on rent (more likely to be in the larger urban centres with relatively high rents).

Another challenge with the flat amount housing allowances is that they can sometimes result in reductions in OW and ODSP benefits. Under OW/ODSP, a portion of one's cheque is specifically dedicated to shelter expenses, including rent and utilities. As discussed in Chapter 2, welfare shelter allowances cover the actual cost of rent up to a maximum amount. Most people on welfare get the full shelter amount because shelter maximums under OW/ODSP (and welfare programs in other provinces) usually have no relation to actual market rents, with the welfare shelter maximums being far lower than market rents. But it does sometimes happen that housing allowances reduce the amount of rent actually paid by the recipient to a level that is below the OW/ODSP shelter maximums. In order to minimize OW/ODSP claw-backs, housing administrators say they set the housing allowance amounts at levels that are less likely to put recipients over the OW/ODSP shelter maximums. Some Service Managers do vary the housing allowance subsidy amounts for different categories of OW/ODSP recipients in an attempt to avoid claw-backs (thus, it is not entirely true that housing allowances are flat amounts—there are some variations for welfare recipients in some Service Manager areas). But the housing administrators I interviewed say that inevitably claw-backs in OW/ODSP benefits do sometimes result from housing allowances.

The housing administrators I interviewed offered several examples of local initiatives in the area of housing allowances and rent supplements intended to reduce poverty. In one example, the municipality decided to enhance the subsidy received under the HARS program with an additional $100 funded by the municipality. The housing administrator explained:

> *What we did under the HARS program is we created an additional $100 leverage. So if you were getting $260 we would add on another $100 to make it $360. We might think $100 doesn't sound like a lot. But the comment back* [from one of the recipients] *was this additional $100 means now I can buy groceries.*

The point here is that even relatively minor increases in subsidy amounts can lead to significant improvements in tenants' circumstances.

Local governments have also sought ways to use housing allowances and rent supplements to help their communities cope with the impacts of the economic recession. As discussed in the previous chapter, Toronto's and the Region of Peel's locally created in situ housing allowance programs for market tenants in the non-profit sector who have had involuntary income reductions due to the recession are examples of this. In another example, a housing administrator explained how HARS funding was stretched to assist more households in response to the recession:

> *HARS came along just when the economic meltdown started and so there's a lot of people hurting very quickly in town. The OW caseload was rising rapidly and people were getting laid off all over the place. We thought, "Gee, the funding for HARS units is great, but how can we increase the number of units?" So we called the Ministry and we asked for their consent to shrink the time period from 5 years to 4 years in order to fund more units. They agreed. By using the same amount of money but shrinking the time period down to 4 years, we created 45 more units. Then later on we asked the Ministry for a year extension and got it. We did the additional number of units for the full 5 years.*

This is an example of a local government thinking creatively about how to stretch program funding to assist more families in response to the recession and how the provincial government accommodated their requests in order to achieve that goal. Some of the most compelling examples of local innovation have occurred when the provincial government agreed to local governments' requests to make exceptions in special circumstances. In another example of this, some local governments found there was little interest among private landlords to participate in the HARS program and sought permission from the provincial government to convert their HARS allocations to fund capital projects. The provincial government agreed to the requests, which resulted in the building of new affordable rental units in several communities across Ontario.

5.2 Facilitating Tenant Self-Sufficiency

When asked about facilitating tenant self-sufficiency, several housing administrators immediately talked about the importance of recognizing that many people will never become entirely self-sufficient. Many people, especially those with mental health and physical disabilities, need ongoing assistance. Housing administrators also talked about alternative measures of success besides just counting how many people came off assistance. Success for some people may just be maintaining a successful tenancy and not getting evicted. The following comment captured the sentiment of many of the housing administrators I interviewed:

> *I'm not in agreement with the view that people are going to move along the continuum toward being totally self-sufficient. I think there is a percentage of the population absolutely that can do that. There's also a percentage of the population that can't do that, who are going to need subsidized housing for a long period of time, if not forever, and also need supports for the other aspects of their lives. I think that's a reality that we need to face.*

Having made the point that many people will never become entirely self-sufficient, interview participants did indicate that affordable, quality housing is crucial to moving towards self-sufficiency. As one housing administrator said, "*It's securing tenure and giving them a basis to actually make improvements down the road. Stopping the cycle of housed, homeless, housed, homeless is really critical.*" Similar to comments made in the previous section, many interview participants emphasized the importance of combining housing with support services in order to help tenants become more self-sufficient. Support services such as employment training, learning how to budget, life skills training, ESL training, and addiction treatment were all identified as important ingredients toward the path of self-sufficiency.

Allowing housing allowances and rent supplements to be applied to 'in situ' living arrangements (that is, rental units in which recipients are already residing) was also identified as something that can facilitate tenant self-sufficiency in certain circumstances. This is because frequently people already have many of their supports where they are currently living. People may already live close to their jobs, their schools, and their babysitters. Requiring tenants to move away from these supports in order to receive housing allowances may be counter-effective to facilitating tenant self-sufficiency.

As discussed in Chapter 2, much of the academic literature on housing allowances pertains to the issue of work disincentives. In my interviews with them, local housing administrators pointed out that the eligibility requirements for most rent supplement and housing allowance programs in Ontario are based on income levels, regardless of whether income is derived from employment or welfare or some other source. Because the Ontario programs are available to people with employment income, many believe work disincentives are avoided. One housing administrator offered an example of a program feature that was created specifically to prevent work disincentives. Tenants living in RGI housing (which includes rent supplement tenants) who experience significant income increases such that they are required to pay market rents maintain RGI status for 12 months. This means that if someone in RGI housing lands a fairly well-paying job, although they will have to pay market rent they will still be protected if they lose that job within 12 months. If they lose the job within 12 months, their rent will go back to an affordable RGI rent. This prevents work disincentives because RGI tenants do not have to worry about losing RGI status if they find a job that may not turn out to be a long-term job.

The Hostels to Homes (H2H) Pilot Project in the City of Windsor offers an example of rent supplements being used to facilitate tenant self-sufficiency. In 2007, the Hostels to Homes Pilot Project was an Ontario Works initiative carried out in six cities across Ontario. The purpose of the program was to assist chronic hostel users with finding quality, affordable housing and support services (Brooker, n.d.). The goal of the program was to reduce hostel use, which was expected to create long-term savings for provincial and municipal governments because it is costly to keep people in hostels (Nguyen, 2009). Hostels to Homes itself was not a rent supplement or housing allowance program. But in the City of Windor, Hostels to Homes was linked with the Strong Communities Rent Supplement Program, which was crucial to the pilot program’s success in that city. In Windsor, 15 people (including men, women, and youth) who were habitual hostel users were selected for the program. The 15 participants had a number of barriers to self-sufficiency, including substance abuse issues, family abuse and breakdown, lack of education and work experience, interpersonal issues, criminal backgrounds, and poor life skills. The 15 participants worked with social workers to develop life plans based on a series of attainable goals. Social workers also worked with an OW caseworker who was specifically designated for the Hostels to Homes participants. Some participants were also offered assistance with finding employment. For the majority of the 15 participants, the Hostels to Homes Pilot Project has been very successful. Only four participants dropped out of the program. Of the remaining 11, all have remained housed. Five participants secured full-time employment at some point during the program and two secured part-time employment. Two participants returned to school. One participant completed a substance abuse rehabilitation program. Only two of the original 15 participants ever returned to a hostel. Funding from the Strong Communities Rent Supplement Program was crucial to the success of the Hostels to Homes Pilot Project in Windsor: “With respect to housing, we have been able to adequately house the majority of our participants by accessing rent supplement funds. Without this, affordable housing would continue to be a challenge for our participants” (Brooker, n.d. , p. 4). Thus, the Hostels to Homes Pilot Project in Windsor offers an example of how rent supplements and housing allowances can successfully facilitate tenant self-sufficiency. Consistent with what many interview participants said, in this example it was rent supplements in combination with support services that led to the successful outcomes.

5.3 Targeting

The Social Housing Reform Act specifies priority rules for how people are selected from the social housing waiting lists. Victims of domestic violence are assigned Special Priority status and are bumped to the top of wait lists. Service Managers may also establish their own priority categories for people with mental health and physical disabilities and other vulnerable groups. For the HARS program, Service Managers are not required to select households in the order of priority on the social housing wait list. But with HARS, 10% of all funded units in each Service Manager area are dedicated for victims of domestic violence (VDV). Many local housing administrators say that Special Priority status for VDVs makes it difficult to get people off the wait lists who are not VDVs. This issue is discussed in more detail in the next chapter.

Housing administrators indicated that they fulfill their targets for special priority client groups by entering into partnerships with social service agencies and community groups. For example, many local governments have fulfilled their VDV target under HARS by partnering with women’s shelters. Under this approach, the Service Manager allocates responsibility for administering a portion of the HARS program to a women's shelter. The shelter will then select the tenants and in some cases even the rental units. In some cases, the clients themselves self-select the units. For VDVs, the ability to self-select units can be very important because it facilitates anonymity (if a VDV is required to live in a unit already under contract, there may be a concern that it will be easier for an abusive former spouse to locate them). But by partnering with agencies that already work with vulnerable groups, many Service Managers have been able to meet their targets. In addition to women's shelters, municipalities have partnered with the Canadian Mental Health Association and First Nations groups in order to reach targets for particular client groups.

5.4 Wait Lists

Many housing administrators I interviewed indicated that they are not optimistic when it comes to wait lists. As one interview participant said, "*If someone comes off* [the wait list], *somebody else is added.*" ONPHA's annual wait list survey showed that as January 2011 there were over 152,000 Ontario households on wait lists for subsidized housing. This represents a 7.4% increase over the previous January. "This is the second consecutive year of significant increases in the number of waiting households, following a 9.6% increase from 2009 to 2010" (ONPHA, 2011, p. 3). But wait lists did decrease in 17 of 47 Service Manager areas. The report identified the recession, declining vacancy rates, rising rents, and the Special Priority policy for victims of domestic violence as factors behind Ontario's growing wait lists for subsidized housing.

In my interviews with them, most housing administrators indicated that rent supplements do help get people off the wait lists. Most felt that the rent supplement programs are a better way of reducing wait lists than the housing allowances under HARS. For rent supplements, assisted tenants come off the centralized social housing wait lists because rent supplements are full RGI. But in the case of HARS, tenants need not be on the centralized social housing wait list so long as they meet the eligibility requirements to be on the list. Thus, many HARS recipients were never on any social housing waiting lists. But the HARS subsidy is only a temporary one, lasting a maximum of five years. Service Managers have been encouraged to develop exit strategies to assist HARS recipients when the subsidy expires. In many cases the exit strategy is for HARS recipients to go on the centralized social housing wait list in the hope that a spot will open up for them in RGI housing before the HARS subsidy expires. In this way the HARS program actually increases the number of people on the centralized social housing wait lists because it induces people who are not on the list (but who are eligible to be on the list) to get on the list. But perhaps this should not be seen as a shortcoming of HARS because the intent of the program is to provide temporary assistance. By reaching people who, while eligible, had previously not been on the wait lists, HARS may be reaching some of the most vulnerable and discouraged low-income households. Growing wait lists notwithstanding, this may be seen as a positive aspect of the HARS program.

In some communities, wait lists for particular types of units are especially long. I heard about very long wait lists for one-bedrooms in particular. Some housing administrators deliberately seek out these particular types of units in the private rental market in order to reduce wait lists. By augmenting the supply of particular types of units for which there is an insufficient supply within the social housing stock, rent supplement programs can be effective at reducing wait lists.

Similarly, allowing ‘in situ’ arrangements for rent supplements and housing allowances may also reduce wait lists. Some people with highly specific needs remain on the wait list for excessive lengths of time because there may be very few units in the social housing stock that meet their particular needs. But their needs may be met in their current housing. In these cases, the only reason someone is on the wait list is an affordability issue. In such cases, by applying a rent supplement or a housing allowance to someone’s current residence it is possible to take them off the wait list while still accommodating their highly specialized needs.

Echoing ONPHA’s wait list report, many interview participants indicated that Special Priority status for victims of domestic violence (VDVs) results in some people who are not VDVs remaining on the wait lists for inordinate lengths of time. The ‘chronological’ category refers to people who have been on the wait list for the most amount of time but who do not fit into any Special Priority categories. Several municipalities have designed local pilot programs specifically targeted at the chronological category. In some cases, Service Managers have assigned priority status to the chronological category for existing provincial programs. Targeting the chronological category is a strategy for reducing wait lists because it takes households off the list who otherwise may remain on the list for a very long time if not forever.

5.5 Community Development

This paper does not make a normative judgment about whether or not social mix is a desired policy goal. The effects of social mix, what social mix should consist of, and the spatial scale at which it should be achieved are all highly controversial issues. As discussed in chapter 2, researchers have identified both advantages and disadvantages with housing policies that promote social mix. But given that housing allowances in the US are used with the expressed purpose of deconcentrating poverty and creating socially mixed neighbourhoods, it is important to consider how such programs in Ontario may also foster social mix.

Most housing administrators believe that social mix is an outcome of Ontario's rent supplement and housing allowance programs, although it is not an explicit policy goal as it is with US Section 8 vouchers. As one housing administrator explained:

> *Do we sit there and say let's create a social mix? No. Do we sit there and say let's get rent supplement units in every part of town? Yes. When you're going into private sector buildings and high rises and picking up units, inherent in that is an automatic mix.*

As this response indicates, social mix is achieved because there is a deliberate effort to sprinkle rent supplement units in every neighbourhood within a city or town. Housing administrators are also aware that if too many rent supplement units are contracted in a single building the opposite may be achieved and they may be actually creating concentrated poverty neighbourhoods. In order to prevent this, many Service Managers have adopted policies that limit the number of rent supplement units in any given building or with any one landlord. Typically, municipalities limit the number of rent supplement units to between 20% and 35% of all units in a given building.

Although most housing administrators say social mix is an inherent outcome of rent supplements and housing allowances, this is not always the case. Some housing administrators in some of the larger urban centres indicated that social mix may not necessarily be an automatic outcome of these programs. In the case of the HARS program, they say that the subsidy amounts are too shallow to allow tenants to move out of neighbourhoods with high poverty rates. Even though HARS enables low-income tenants to rent in the private market, the subsidy is not full RGI which means that market choice is still confined to neighbourhoods with relatively low rents. For both housing allowances and rent supplements, locational choice is constrained to neighbourhoods with high levels of rental housing. This means the potential for social mix is limited by the distribution of reasonably priced rental housing. If most of the modest rental units tend to be in the poorer sections of town, a rent supplement or housing allowance program will not result in any significant degree of social mix. In addition, any social mix achieved with rent supplements and housing allowances will probably look very different than the social mix achieved under public housing redevelopment, which typically combines high-end owner-occupied condominiums along with RGI social housing units. With rent supplements, the social mix will still usually consist of 100% tenant-occupied buildings. In addition, some rent supplements and housing allowances are applied to market units in cooperative and non-profit sector buildings. Starting in the 1970s, cooperative and non-profit social housing was created with the specific goal of creating socially mixed communities, in contrast to the 100% RGI public housing that was developed in the 1950s and 1960s. By converting market units in non-profit buildings into RGI units, rent supplements are reducing social mix in these communities. I even heard about one case in which rent supplements were applied to the market units in a non-profit building because the building could not attract market tenants. The issue of how to attract market tenants to social housing buildings that are perceived as undesirable places to live is a topic of significant concern in the academic literature on poverty deconcentration policies in the US (cf. Brophy & Smith, 1997). It may be the case that at a result of rent supplements, some buildings in the non-profit sector in Ontario may be approaching 100% RGI and starting to resemble public housing in terms of their concentration of low-income households. Thus, although many seem to intuitively believe that social mix is an automatic outcome of rent supplements, this is not always the case and sometimes the reverse may be happening. This is an area for further research. Future research should attempt to quantify the social mix/poverty concentration outcomes of rent supplements and housing allowances in Ontario.

As discussed in Chapter 2, in the US, the stigmatization of Section 8 voucher recipients has been identified as an issue of serious concern. Interview participants said they were unaware of any stigmatization occurring under rent supplement and housing allowance programs. In theory, there is a greater risk of stigmatization with rent supplements attached to units because landlords know their tenants are being subsidized. Because the rent supplement is attached to a particular unit, people in the community may come to know which units are rent supplement units. This is in great contrast to 'classic' Canadian housing allowances attached to tenants because with these subsidies even the landlord does not know their tenant is subsidized. But administrators of rent supplement programs say they are unaware of any issues around stigmatization of rent supplement tenants. In order to avoid any stigma on buildings with rent supplement units, in their listings of rental offerings, some Service Managers do not identify particular building addresses. Instead of addresses, rental offerings are listed by major intersections. This ensures the anonymity of buildings with rent supplement units and prevents the stigmatization of these buildings. Although local housing administrators are unaware of any issues around stigmatization of rent supplement tenants, different findings may be uncovered if tenants were asked directly. This is an issue for future research that engages with rent supplement tenants directly.

5.6 Minimizing Administration Costs

Provincial funding for housing allowance and rent supplement programs includes funding for program administration. Administration funding is typically based on the number of units allocated to a Service Manager that are actually filled with tenants. For the Strong Communities Rent Supplement Program, administration funding is equivalent to \$13 per month per unit. Under the HARS program, administration funding is \$15.60 per month for the first 50 units and \$13 per month per unit for subsequently filled units. The same administration funding scheme is also used for the shared delivery component of the Short Term Rent Supplement Program. With the direct delivery component of the recent Short Term Rent Supplement Program, administration funding is a flat \$5000 plus 1% of the Service Manager's provincial delivery program funding over the life of the program. Many housing administrators say that provincial funding does not cover the true administration costs of these programs and that municipal tax dollars are subsidizing these programs. For the HARS program, one housing administrator said they are not refilling units as tenants move out simply because they do not have enough administration funding. The problem in this case is the large turnover in terms of tenants moving in and out of units.

In this environment, local housing administrators have developed a number of strategies for minimizing their administration costs. These are summarized in Figure 5. Partnering with social service agencies and community organizations not only helps meet targets for VDVs and other vulnerable client groups, as discussed earlier, it is also a way of reducing administration costs. Service Managers will allocate responsibility for a portion of a rent supplement program to women's shelters, First Nations groups, mental health organizations and other groups. After some initial training on housing policy in Ontario, these organizations become responsible for administering a portion of the program. This creates a win-win situation: the community groups are happy to receive the allocation because it means their client groups will get the subsidies and the municipalities benefit because it reduces their administrative burden. Similarly, Service Managers reduce their administration costs by giving allocations of units to Local Housing Corporations, which are the bodies created under the Social Housing Reform Act to own and operate public housing assets. Partnerships with Local Housing Corporations benefit from the experience and knowledge of these of these organizations. As one housing administrator explained:

> *We share delivery. We go to the Local Housing Corporation. They've been around in Ontario since the 50s and 60s. They're mature organizations. They know housing programs inside and out. They have the infrastructure to calculate rent and deal with rent supplements so we will allocate a certain amount of rent supplement to them to deliver because everything's in place. You don't need anything else. They have staff that calculate the rent, they run the central housing registries.*

Unlike partnerships with other community groups, Local Housing Corporations do not require training on Ontario housing policy given their long experience and knowledgeable staff.

Figure 5 Strategies for Minimizing Administration Costs

Local housing administrators have developed a number of strategies and best practices for minimizing the administration costs associated with housing allowance and rent supplement programs:

- Partnering with community groups and Local Housing Corporations to deliver programs
- Keep the benefit calculations simple; use of flat-amount subsidies instead of formula-based subsidies; use Notice of Assessment from Revenue Canada to verify income
- Do most of the administration work upfront at the beginning of the program. This reduces the administration required in the latter stages of the program
- Contract a large number of units from a single landlord. There is far less administration if 20 units are contracted from a single landlord compared to contracting each unit individually from different landlords

6. SUGGESTIONS FOR ENABLING MORE LOCAL FLEXIBILITY

As demonstrated in the previous two chapters, local governments in Ontario already enjoy a great deal of flexibility when it comes to customizing housing allowances and rent supplements. Nevertheless many local housing administrators offered constructive suggestions for how provincial regulations concerning rent supplements and housing allowances might be revised in order to facilitate even more flexibility at the local level. This chapter summarizes these suggestions.

6.1 Allow 'In Situ' Arrangements for all Housing Allowance/Rent Supplement Programs

The most frequent suggestion I heard is that all housing allowance and rent supplement programs should allow 'in situ' arrangements. 'In situ' arrangements happen when somebody receives a subsidy for their current residence and they do not relocate to a new rental unit in order to receive a subsidy. Most rent supplement and housing allowance programs in Ontario already do allow 'in situ' arrangements. The HARS program is the only program that prohibits 'in situ' arrangements. Some local housing administrators said that the HARS ban on 'in situ' arrangements was difficult because it meant tenants had to uproot themselves and pay additional expenses for moving and a deposit on a new unit, which can be difficult for low-income people to afford. As one housing administrator said, "*People were moving across the hall or to another floor in their building or down the street in order to get HARS. That is a huge expense for somebody who can't even afford to pay their rent. That was a huge issue with HARS.*"

Housing administrators extolled many benefits of 'in situ' arrangements. The most obvious benefit of 'in situ' arrangements is that they do not involve the potential disruption and costs that comes with a move to a new unit. Tenants may already be living near support services, schools, jobs, and babysitters. Moving can mean tenants are removed from these important supports. Thus, prohibitions on 'in situ' arrangements can be counter-effective to the goal of facilitating tenant self-sufficiency. This may also be the case for tenants who may have experienced only a temporary drop in income due to market cycles, especially in Northern Ontario with its resource-based economy. Someone who only needs temporary assistance may be reluctant to move because a move may create a more permanent dependency on the welfare system. For elderly people, 'in situ' arrangements can allow them to age in place. 'In situ' arrangements may also be very beneficial in rental markets with low vacancy rates. If there is a low vacancy rate, it may be very difficult to find a vacant unit to attach a subsidy to. In such markets, ‘in situ’ arrangements can be a way of recruiting landlords into the program. A landlord may initially enter a rent supplement program through an ‘in situ’ arrangement for a pre-existing tenant but when the tenant moves out, the landlord and the unit may stay in the program. The landlord may even offer additional units for the program. Also, ‘in situ’ arrangements can support tenants in buildings where they already have a positive relationship with a landlord. Sometimes landlords ask for ‘in situ’ arrangements. For example, one landlord said to a housing administrator, “*Every time I get a good tenant, the local government takes that tenant. Why can’t you support that person here?*” ‘In situ’ arrangements can be especially helpful for people who have highly specific needs that are being met in their current housing. Many people stay on the wait list for social housing for very long periods of time because there may be very few units in the social housing stock that meet their needs. For these people, ‘in situ’ arrangements may be the best way to get them off the wait list. Thus, ‘in situ’ arrangements may reduce wait lists for social housing. ‘In situ’ arrangements also have the advantage that they minimize rent inflation. In Ontario, rent control guidelines only apply to current tenancies but not when new tenancies are being set up (ONPHA & CHFC, 2010). This means that tenants who have been living in their units for several years may enjoy lower rents because the amount by which landlords may increase the rents has been limited by provincial rent control guidelines. If someone has to move out of this situation in order to get a HARS subsidy, they may have a hard time finding a comparable unit at the same price. This also means that the unit that the tenant moves out of may also go up in price for the next tenant who moves there. ‘In situ’ arrangements may minimize rent inflation because there is no opportunity for landlords to raise the rent by creating a new tenancy.

6.2 Eliminate Time Limits on Programs

Many housing administrators say that time-limits and expiry dates attached to specific programs are problematic. For example, HARS subsidies may not exceed five years and the entire program will expire on March 31, 2013. Given these time limits, Service Managers have developed exit strategies for HARS recipients. The exit strategy usually involves transferring people to other housing allowance or rent supplement programs or moving into purpose-built social housing. Some housing administrators say they anticipate that all their HARS recipients will be assisted through other programs and will continue to receive subsidies. For example, one housing administrator said, "*When your date comes up under HARS, it's seamless to you. We actually dip into another program to maintain the subsidy. We are managing across all these programs to keep you in place.*" But others have had less success when it comes to developing exit strategies. As one housing administrator said, "*We don't have an exit strategy. When the money's gone, the money's gone. That is the exit.*" The HARS, ROOF, and Short Term Rent Supplement programs as well as several local pilot programs are all set to expire within the next two years. This means that over the next two years, potentially tens of thousands of low-income households across Ontario are going to lose their housing subsidies and will be facing having to pay market rents. But many households may not be able to afford market rents within the next two years. Many Ontario municipalities have identified expiring housing allowances and rent supplements as an issue of concern. The City of Toronto has expressed concern about expiring housing allowances and rent supplements as over 6000 households may be losing their subsidies in that city alone by 2013 (City of Toronto, n.d.).

One housing administrator said that time-limits attached to programs, "*set them* [tenants] *up for failure.*" An additional problem with time-limits is that it can sour the local government's relationship with landlords, something that is crucial for rent supplements to work in low vacancy rental markets. As one housing administrator explained:

> *You tick off the landlords because those landlords would not have rented to those tenants without the subsidy sent from us. Here we are now and the five years is up and that tenant has nowhere to go. He's going to stay until he gets evicted because he's got nowhere to go. The landlord is going to incur costs to evict that person. I'm not going to have a relationship with that landlord anymore. If new funding comes along, he's not going to want to deal with me again.*

This problem could be avoided by providing long-term funding, as is the case with the Strong Communities Rent Supplement Program and the Social Housing Reform Act rent supplements.

6.3 Eliminate Special Priority status for Victims of Domestic Violence

Under the Social Housing Reform Act, victims of domestic violence (VDVs) are assigned Special Priority status for social housing. This means that VDVs are bumped to the top of the centralized social housing wait lists. In addition, the HARS program requires that 10% of subsidized units allocated to each Service Manager must go to VDVs. In other words, with HARS there is a prescribed number of subsidized units that must always be maintained for

VDVs in every Service Manager area. If a VDV moves out of one unit, then a VDV must move into that unit or another unit. The number of HARS units occupied by VDVs must always be maintained. VDV status may be verified by family doctors, lawyers, police, counselors, social workers, shelter workers or a variety of others who work with VDVs.

Many housing administrators say the VDV requirements create problems at the local level. Some say that it is very difficult for people who are not VDVs to get into subsidized housing. As one administrator said, "*We're reaching the peak where we will only be housing VDVs from here on out.*" One local housing administrator said that some people who are desperate for subsidized housing but who are not legitimate VDVs manage to get themselves falsely certified as VDVs as a means of getting to the top of the social housing wait list. Another housing administrator expressed concern that the VDV requirements inhibit the development of socially mixed communities. This person said, "*We are creating buildings of nothing but VDVs. There's no mix. It's all one type.*" In the case of HARS, the prescribed number of units that must always be occupied by VDVs creates additional difficulties in small towns where there may not always be a VDV waiting for a subsidized unit. Thus, many housing administrators say that the issue of how housing programs are targeted to specific groups of the population is something that should be left to the municipalities as it is the local governments that are better positioned to understand the particular needs of their communities.

6.4 Eliminate or Revise OW/ODSP rent scales in RGI housing

OW and ODSP recipients who live in RGI housing (which includes rent supplement units) pay rents according to a scale set out in the Social Housing Reform Act. Instead of calculating rent as a percentage of income, for OW and ODSP recipients with no additional sources of income living in RGI housing, rents are predetermined flat amounts. For example, for a single person in RGI housing on OW with no additional income sources, the rent is \$85 per month. For all OW and ODSP recipients, regardless of whether or not they are living in RGI housing, there are two components of a monthly income assistance cheque: basic needs and the shelter component. The basic needs portion assists with expenses such as food and clothing while the shelter component helps with rent and utility costs. The shelter component covers the entire rent up to a maximum. This is the ARM (Actual Rent up to a Maximum) welfare shelter allowance discussed in Chapter 2. For a single person on OW, the maximum monthly shelter amount is $368. Thus, the maximum shelter amount paid out under OW ($368 for singles) is far greater than the amount charged for rent in RGI housing ($85 for singles). OW recipients do not actually receive the shelter maximum when their shelter costs are below this maximum. This means single OW recipients in RGI housing do not get the full $368 shelter component on their cheques because all they need is $85 for their rent. The same is true for ODSP recipients and people with dependents, although the numbers are different. The discrepancy between the maximum OW/ODSP monthly shelter amounts and the rent scales for OW/ODSP recipients living in RGI housing is shown in Figure 6.

Figure 6 Maximum OW/ODSP Shelter Amounts and RGI Rent Scales for OW/ODSP Recipients

Ontario Works

Number of people living in household	Maximum Welfare Shelter Amount (1)	Rent Paid in RGI Housing (2)
1	$368	$85
2	$578	$175
3	$627	$212
4	$681	$254
5	$734	$296
6	$761	$339

Note: This applies to singles without dependents and couples with or without dependent children. For singles with dependent children, rents paid in RGI housing are slightly higher but the same pattern holds.

Ontario Disability Support Program

Number of people living in household	Maximum Welfare Shelter Amount (1)	Rent Paid in RGI Housing (2)
1	$469	$109
2	$737	$199
3	$799	$236
4	$868	$278
5	$936	$321
6	$970	$363

(1)Source: Ministry of Community and Social Services, Ontario Works Directive 6.3 Shelter Calculation and Ontario Disability Support Program Directive 6.2 Shelter Calculation
(2)Source: Social Housing Reform Act, 2000, O. Reg. 298/01

This discrepancy has been the subject of some constructive criticism at the local level. The majority of OW/ODSP costs are paid by the provincial government, whereas the majority of social housing costs are paid by the municipalities. According to some, the fact that OW/ODSP recipients in RGI housing are charged rents that are far lower than the OW/ODSP shelter maximums means that "municipalities across the province have been subsidizing OW/ODSP with social housing dollars" (Manitoulin-Sudbury District Services Board, n.d.). For rent supplement programs in particular, the very low OW/ODSP rent scales mean that much larger rent supplement subsidies must be applied to cover market rents. For example, let us consider a rent supplement unit for which the market rent is $600 per month. The tenant living in this unit is a single person on OW, which means the rent they pay is $85. This means the rent supplement must be $515 in order to cover the full market rent. Some local housing administrators say they would like the OW/ODSP rent scales for RGI housing eliminated and the ability to set rents at the maximum OW/ODSP shelter amounts. If the scales were eliminated, in this example, the tenant would pay as their rent the maximum shelter component for a single person on OW, which is $368. This would mean that the rent supplement subsidy would only be $232—which is less than half the amount of the subsidy under the current system. This would mean rent supplement dollars could be stretched to fund many more units. As one local housing administrator said, "*We need the flexibility to charge maximum OW and maximum ODSP shelter allowances to get more bang for our buck and create more units with the same amount of funding.*" From a tenant's perspective, there would be no change because, as stated above, OW/ODSP recipients in RGI housing do not receive the maximum shelter component on their cheques. For a tenant, this change would mean they would get more on their monthly OW/ODSP cheque but they would pay out a corresponding increase in rent. For the municipalities, this would allow the same amount of rent supplement funding to be used to support far more units. This change would also reduce the costs of other social housing programs operated by the municipalities. But for the provincial government this change would result in a significant increase in OW/ODSP costs. One local housing administrator acknowledged that eliminating the rent scales for OW/ODSP recipients in RGI housing would increase the provincial government's costs under OW and ODSP and suggested that the solution may be revising the rent scales instead of completely eliminating them. This person said, "*Maybe the answer is in between…You could create more units for the same amount of* [rent supplement] *money even if we met them in the middle.*" Under this compromise approach, the OW/ODSP rent scales for RGI housing would still be kept but the rents would be increased such that more of the rents would be paid by OW/ODSP but still not the full shelter maximums. This would still increase provincial costs under OW/ODSP but not by as much as if the rents were increased to the full OW/ODSP shelter maximums. But the benefit would be that the same amount of rent supplement funding could be used to subsidize more units.

6.5 Create More Housing Allowances that are Portable

Many local housing administrators said they would like to see more housing allowances that are portable, that is, housing allowances attached to tenants and that allow tenants to self-select units in the private market. Ontario is already moving in this direction, with the creation of several portable housing allowances over the past few years. The ROOF, Short Term Rent Supplement-shared delivery, and elements of the Strong Communities Rent Supplement Program are all examples of programs with portable housing allowances attached to tenants. In addition to these provincial initiatives, some local governments have also set up portable housing allowance programs. At least one local government is researching options for implementing a portable US-style voucher program.

In the rush to move toward portability, Ontario policymakers should not forget the advantages of non-portable unit-based rent supplements. As discussed in chapter 4, the Ontario approach of attaching subsidies to units features several advantages, such as ensuring the quality of subsidized units, placing the hard-to-house, and avoiding the problem of rent inflation as housing administrators negotiate down rents. These advantages are typically lost under portable housing allowance programs. Portability means governments lose control over the quality of housing that is subsidized and increases the risk of rent inflation.

6.6 Consolidate the Programs into a single Housing Allowance/Rent Supplement Program

One housing administrator said that they would like all the various housing allowance and rent supplement programs to be consolidated into a single, block-funded program. This would reduce administrative complexity and maximize local flexibility. As this housing administrator explained:

> *Why do we have five streams of programs with their little subtle differences and rules? Let me add up all that money under those programs and let us deliver that as a lump sum envelope and design it to meet local needs. Whatever pot of money you are throwing into my Service Centre, just lump sum it, just block-fund it.*

6.7 Last Month's Rent Deposit

The Strong Communities Rent Supplement Program does not allow landlords to charge a last month's rent deposit on a new tenancy. One housing administrator said this is unappealing to many landlords. It would be easier to recruit landlords into the program if landlords were allowed to charge a last month's rent deposit. This may be especially helpful in rental markets with low vacancy rates where it is difficult to recruit landlords into these programs.

6.8 Allow Homeowners to Receive Housing Allowances

One housing administrator in Northern Ontario indicated that in the North poverty may look different than in the urban centres of the South. In the North, people may be "*house rich and cash poor*" and may be struggling to maintain a home they have inherited in their family. Low-income homeowners in the North may be struggling with mortgage payments, property taxes, utilities, and maintenance bills. Requiring poor homeowners to sell their homes before receiving assistance may be counterproductive to the goal of facilitating self-sufficiency. One housing administrator I interviewed in Northern Ontario would like to be able to offer housing allowances to low-income homeowners. Quebec is the only Canadian province that offers housing allowances to homeowners (cf. Steele, 2007).

7. CONCLUSION

In recent years in Ontario there has been an enormous degree of policy innovation around housing allowances and rent supplements. In an environment in which municipal governments have the authority to customize programs and create their own programs, innumerably different approaches to housing allowances and rent supplements are being developed in Ontario. The dominant approach in Ontario, both historically and in the present day, is the rent supplement approach that attaches subsidies to units. Ontario stands out in Canada as the only major province without a universal portable housing allowance, the so-called 'classic' Canadian approach. But recently Ontario has been moving toward portable housing allowances. Rental Opportunities for Ontario Families (ROOF), the Short Term Rent Supplement Program-shared delivery component, and the Strong Communities Rent Supplement Program-direct RGI option are all examples of recently created, portable, partial affordability gap housing allowances that are paid directly to tenants. These programs do enable market choice, which means they are examples of demand-side assistance and they do fit the academic definition of 'housing allowance'. But these programs still have a number of differences from 'classic' Canadian housing allowances.

Ontario's recent experiments with portable housing allowances are different from portable housing allowances in other Canadian provinces in three respects: they are pre-determined flat-amount subsidies, they are time-limited, and they are wait-listed. All three of these features are problematic. The value of flat-amount subsidies, by their very nature, does not vary according to recipients' individual circumstances in terms of rents and incomes. This means some recipients remain in core housing need spending more than 30% of their incomes on rent, while other recipients do better than if they were in an RGI situation. Housing allowances that use formulae to calculate different benefit amounts for different recipients depending on their individual rents and incomes are more equitable (Finkel et al., 2006a). Time-limits also create problems as many recipients may be facing having to pay market rents when their subsidies expire, even though they may still be in need of assistance. In all the academic literature I reviewed, I never came across a single example of time-limited housing subsidies outside of Ontario. Housing allowances that are wait-listed also create problems, as the US experience has shown. Much like Ontario's rent supplements and housing allowances, US Section 8 vouchers are not entitlements made available to all who qualify. Instead, these are rationed, wait-listed programs with only a finite number of subsidies available. This means many eligible households do not receive subsidies. Research in the US has shown that eligible low-income households who do not receive vouchers experience particular hardship because they must compete with assisted voucher households in the low end of the rental housing market. Voucher-induced rent inflation exacerbates the affordability problems for unassisted low-income households. Up to this point, Ontario's wait-listed portable housing allowances are programs that are probably too small to have created these effects. But if the portable approach continues to grow in Ontario, and if it continues to be wait-listed, then Ontario may experience what the US has experienced: essentially two classes of low-income renters, subsidized renters and non-subsidized renters. It is important to remember that wait-listing of portable housing allowance is a very different matter from wait-listing access to social housing or rent supplements. This is because private market tenants do not compete with social housing or rent supplement tenants for the same pool of housing. But with wait-listed portable housing allowances, unassisted tenants do compete with subsidized tenants for the same housing, to the detriment of unassisted tenants. If Ontario decides to embrace demand-side portable housing allowances, it should go all the way and create a universal program that provide subsidies to all households that meet the eligibility requirements, as is the practice in other provinces. The alternative is a bifurcated rental market with rent inflation hurting unassisted tenants, as has happened in the US.

But it is highly questionable whether portable housing allowances are a desirable policy approach. This report has discussed a number of disadvantages associated with portable housing allowances. The main disadvantages are rent inflation (which means much of the benefit leaks upward to landlords) and an inability to enforce habitability requirements (which means public dollars may be used to subsidize slum housing). Many influential groups in the housing field are pushing for portable housing allowances in Ontario. These include landlords who stand to benefit from the inflationary effects this approach has on rents. In the rush to move toward portability, Ontario should not lose sight of the many advantages of the rent supplement approach that has served the province so well for many decades. In my interviews with them, local housing administrators identified a number of advantages of rent supplements that would be lost under portable housing allowances. These include the ability to enforce habitability standards, placing 'hard-to-house' individuals who may have a hard time convincing landlords to accept them on their own, and the potential to negotiate down rents thereby allowing program dollars to assist more households with deeper subsidies. Instead of Ontario seeking to adopt policies from other provinces, probably the other provinces could benefit from adopting Ontario's rent supplement approach. That said, rent supplements rely on an excess supply in the private rental market. Given the difficulties Service Managers have with rent supplement programs in low vacancy markets, it is clear that policies that increase the supply of rental housing are needed before rent supplements are introduced or expanded in low vacancy markets.

This study very much affirms the rent supplement approach taken in Ontario. The housing administrators I interviewed are dedicated professionals who have devised a number of very creative strategies and best practices for rent supplements. Best practices and challenges for the six key policy areas this study investigates are summarized in Figure 7. Housing administrators were generally unaware whether the strategies they have developed are also being used by other Service Managers in other parts of the province. A key goal of this study has been to harness local innovation and facilitate the transfer of knowledge of best practices across

Figure 7 Best Practices and Challenges for Housing Allowances/Rent Supplements at the Local Level

	Best Practices	Challenges
Reducing Poverty/Improving Housing Affordability	•Topping up HARS subsidies with an additional $100 from the municipality •Toronto's and Peel's 'in situ' housing allowance programs for market tenants in the non-profit sector who have had involuntary income reductions due to the recession •Increasing the number of households who receive a HARS subsidy to assist with the hardship brought on by the recession	•Flat amount housing allowances still leave most households in core housing need •Flat amount housing allowances can sometimes result in reductions in OW/ODSP benefits
Promoting Tenant Self-Sufficiency	•Maintaining RGI status for 12 months for tenants whose incomes increase such that they pay market rents •Windsor's Hostels to Homes Pilot Project combined rent supplements with support services to help 15 chronic hostel users become independent of hostels	•Some people will never become entirely self-sufficient •Combining affordable, quality housing with support services is crucial
Targeting	•Entering into partnerships with social service agencies and community groups that serve the population groups that are being targeted	•Special Priority status for VDVs and people with mental health and physical disabilities makes it difficult to remove people from the wait lists who do not fall into these categories
Wait Lists	•Local pilot programs in which Special Priority status is assigned to the 'chronological' category so that those who have been on the wait lists the longest may be assisted • 'In situ' arrangements for people with highly specialized needs	•Wait lists continue to grow •People remain on the wait lists when receiving assistance through time-limited programs
Community Development	•Sprinkling rent supplement units in every neighbourhood •Limiting rent supplement/housing allowance units to 20%-35% of the total number of units in any one building •List rent supplement unit vacancies by major intersection instead of building address	•Flat amount housing allowance subsidies not deep enough to enable tenants to move out of high poverty neighbourhoods in large urban centres •Attaching rent supplements to market units in the non-profit sector reduces social mix
Minimizing Administration Costs	•Partnering with social service agencies, community groups, and Local Housing Corporations to deliver programs •Do most administration work upfront at the beginning stage of programs •Contracting several units from a single landlord at one time	•Administration of many programs still subsidized by municipalities •Frequent unit turnover drives up administration costs

different Service Managers. Hopefully, some of the best practices shown in Figure 7 are ideas that might be new to some Service Managers and might be adopted elsewhere in Ontario in order to improve the delivery of rent supplements and housing allowances. The same is true for Figure 4 in Chapter 4, which shows best practices in terms of recruiting landlords for rent supplement programs. In terms of reducing poverty and facilitating tenant self-sufficiency, I heard over and over again that housing alone is not enough. Affordable, quality housing must be combined with support services in order to lift people out of poverty and set them on the path to self-sufficiency. While some people may never become entirely self-sufficient, these things can significantly improve their quality of life. Given the considerable number of different practices and programs this study has identified, it is clear that Service Managers already enjoy a great deal of flexibility around housing allowances and rent supplements. However, many housing administrators offered examples of reforms that might be made in order to enable even more local flexibility. These were communicated in Chapter 6. Although it may not be possible to implement all or even any of these requested changes, I pass them along in good faith that they might lead to a constructive conversation about the future of housing policy in Ontario.

This has very much been an exploratory study, aiming to describe and take stock of the various housing allowance/rent supplement policies and practices currently in Ontario. Thus, I want to close this paper by considering some future research questions that come out of this work. I propose three areas for future research. The first area is concerned with the proportion of Canadian housing policy that consists of housing allowances versus rent supplements. In doing this research, I developed the impression that rent supplements are only used in any significant way in Ontario and Quebec. These are the only provinces that are ever mentioned in the limited literature on rent supplements in Canada. In BC, there do not appear to be any rent supplement programs of the kind in Ontario in which subsidies are attached to units. When BC politicians have used the term ‘rent supplement’ they have actually been talking about portable housing allowances, such as Shelter Aid for Elderly Renters and the Rental Assistance Program (cf. Cernetig, 2006). But this does not necessarily mean that rent supplements do not happen in BC and the other provinces. The National Housing Act of 1973 authorized all provinces to establish rent supplement programs. Future research should examine the extent to which rent supplements are used in Canadian provinces outside of Ontario and Quebec. It seems that in all the provinces, the terms rent supplement and housing allowance are used interchangeably, even though these are very different policy approaches. Thus, future research should seek to identify, for all the provinces, the proportion to which housing policy is directed to housing allowances attached to tenants versus rent supplements attached to units. Marion Steele (2007) says portable housing allowances are the 'classic' Canadian approach. But this may not be the case if, on a national basis, Ontario's and Quebec's rent supplements outnumber the housing allowances in the other provinces. The research question is, what is the dominant Canadian approach, housing allowances or rent supplements?

While housing allowances may lead to rent inflation, this study suggests that rent supplements actually bring down rents. This happens because local housing administrators negotiate with private landlords to bring down rents on units under contract. This is facilitated when large numbers of units come under contract for several years. This is a major advantage of rent supplements over housing allowances. But future research is needed to quantify this effect. Future research should determine the extent to which rents for rent supplement units are lower than rents for comparable rental units outside of rent supplement programs. There is likely to be a statistically significant difference, but it would be beneficial to be able to show this quantitatively. This would help to affirm the rent supplement approach compared to the increasingly favoured portable housing allowance approach.

The third agenda for future research concerns the effects of rent supplements (and perhaps housing allowances) in terms of social mix and stigma. In the US, housing allowances are used with the explicit goal of deconcentrating poverty and promoting social mix. But unfortunately, US Section 8 vouchers may sometimes stigmatize tenants. Many of the housing administrators I interviewed intuitively believe that social mix is an automatic outcome of Ontario's rent supplements and housing allowances. But this study suggests this is not necessarily the case. Housing allowances do not promote social mix if subsidies are too shallow to enable tenants to move out of high poverty neighbourhoods. Social mix is also limited by the pre-existing geographical distribution of reasonably priced rental housing. Also, attaching rent supplements to market units in the non-profit sector actually reduces social mix. Future quantitative studies should examine the social mix/poverty concentration effects of Ontario's housing allowances and rent supplements. Given the experience in the US with voucher tenants being stigmatized and discriminated against, future research should also examine this issue in the Ontario context. The best way to understand stigma and discrimination is qualitative research with tenants who receive rent supplements and housing allowances. This might consist of participant observation research or qualitative interviews with tenants.

Perhaps the most important point to take away from this paper is that there is no single correct approach to housing policy. All the approaches discussed in this paper come with different advantages and disadvantages. Some approaches may be more beneficial in specific local contexts. A variety of different policies, from housing policies to income support policies to support services, are needed in concert in order to make a difference. Housing policy in Ontario, and indeed in the rest of Canada, needs to offer a variety of different programs and approaches in order to meet the needs of Canadians. Local flexibility to customize programs is helpful toward this goal. Given the flexibility local governments in Ontario enjoy and the dedication of the housing administrators I interviewed, although it may not be perfect, it seems that Ontario is on the right track.

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