

## **Expanding the Housing Allowance Program**

**Date:** May 16, 2019

**To:** Planning and Housing Committee

**From:** Executive Director, Housing Secretariat

**Wards:** All

### **SUMMARY**

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This report responds to City Council's request, originating from a Member's Motion, that the General Manager, Shelter Support and Housing Administration report on potential measures and funding options to expand the housing allowance program, including the creation of a new upper tier of the Municipal Land Transfer Tax (MLTT). This report provides background on the City's housing allowance program, reviews the impact of expanding the program, and addresses funding options.

Housing allowances are an important tool to help address homelessness. By increasing access to affordable housing and assisting people to move out of emergency shelters more quickly, housing allowances represent a proven pathway to stable housing. The City currently administers some 5,400 housing allowances.

The provincial government recently announced funding allocations for the new three-year Ontario Priorities Housing Initiative, including \$70 million for Toronto between 2019/20 and 2021/22 to address priorities in the areas of housing supply and affordability. Funding for housing allowance programs are eligible under this initiative and staff will report to Council on recommended funding allocations and priorities in July 2019.

The City is currently developing its next ten-year housing plan, HousingTO 2020-2030 Action Plan, to be presented to City Council in the fall of 2019. The public engagement phase of the plan is underway to develop a comprehensive, solutions-based plan to address housing and homelessness challenges over the next decade. Sustaining and expanding housing allowance programs will be addressed as part of the new plan.

This report was prepared in consultation with the City's Shelter, Support and Housing Administration and Corporate Finance Divisions.

## RECOMMENDATIONS

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The Executive Director, Housing Secretariat, recommends that:

1. Planning and Housing Committee receive this report for information.

## FINANCIAL IMPACT

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There are no financial implications arising from this report. The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

## DECISION HISTORY

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At its meeting of March 27 and 28, 2019, City Council adopted MM5.2 Expanding the City's Housing Allowance Program, requesting the General Manager, Shelter, Support and Housing Administration to report to the May 28, 2019 meeting of the Planning and Housing Committee on potential measures to expand the Housing Allowance program and funding options to do so, including but not limited to the creation of a new tier of the Municipal Land Transfer Tax for transactions above the current top tier. The Council decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM5.2>

At its meeting on May 14, 2019 City Council adopted MM7.13 Impact of 2019 Provincial Budget on the City of Toronto, which introduced for Council consideration the report 2019 Ontario Budget and Legislation Update (May 13, 2019) from the City Manager. The report estimated the funding loss to the City of Toronto Council-approved 2019 Budget due to the 2019 Ontario Budget at \$177.65 million. The Council decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM7.13>

## COMMENTS

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### Housing Allowance Program Background

The City has offered housing allowances since 2008. There are currently more than 5,400 households in Toronto receiving a housing allowance to assist them to maintain their housing.

A housing allowance is a fixed-amount housing benefit provided directly to eligible households, usually in the private rental market. It is tied to the household (portable), so it moves where they move. The current program benefit, ranging from \$250 to \$500 a month, is intended to ease the household's financial burden and improve affordability but may not completely cover the gap between an affordable rent (defined as 30% of gross household income) and the market rent.

By contrast, a rent supplement is a housing benefit provided directly to landlords for eligible households living in a specific housing unit. A rent supplement is tied to the unit rather than the household (i.e. non-portable), and is usually calculated based on rent-gear-to-income (RGI). For example, a household that makes \$1000 a month in gross income would pay \$300 in rent and the subsidy would cover the remaining \$789 for an average market rent bachelor unit costing \$1089.

Housing allowances typically are less of a financial pressure on Service Managers compared to rent supplements and allow households more flexibility in choice of housing. This flexibility allows households, for example, to choose neighbourhoods based on housing costs, access to services, proximity to employment and schools, etc.

The current Housing Allowance Program uses a variety of funding sources - including the Investment in Affordable Housing Program Extension (\$92 million federal/ provincial funding); the Social Infrastructure Fund (\$38.3 million federal/ provincial funding) and the City's Housing Allowance Reserve (\$7.5 million). Altogether, these funding sources total approximately \$140 million in funding to support households to receive housing allowances between 2015 and 2024.

Housing allowances are targeted to population groups that have been identified as having challenges with affordability and who also meet identified City priorities, including: assisting seniors and large families on the social housing waiting list, homelessness prevention, and reducing chronic homelessness.

<b>Program Stream</b>	<b>Total Current Households</b>
Homelessness	2,572
Homelessness Prevention	1,557
Waiting List	1,272
<b>Total</b>	<b>5,401</b>

Current available funding for new applicants under the chronic homelessness stream will be fully allocated by end of May 2019. Existing households who continue to be eligible will receive a benefit until the current program end date of March 31, 2024. However, no new households will be enrolled in the chronic homelessness stream as of June 1, 2019.

Without access to a housing allowance, particularly for those chronically homeless households who face additional barriers to securing housing, the number of people staying for longer periods of time in emergency shelters is likely to increase. Reduced flow out of the shelter system will increase occupancy pressures on the system and demands to add additional capacity. Ensuring people are able to quickly exit shelters to housing is essential to maintaining adequate space in the shelter system to accommodate everyone requesting services.

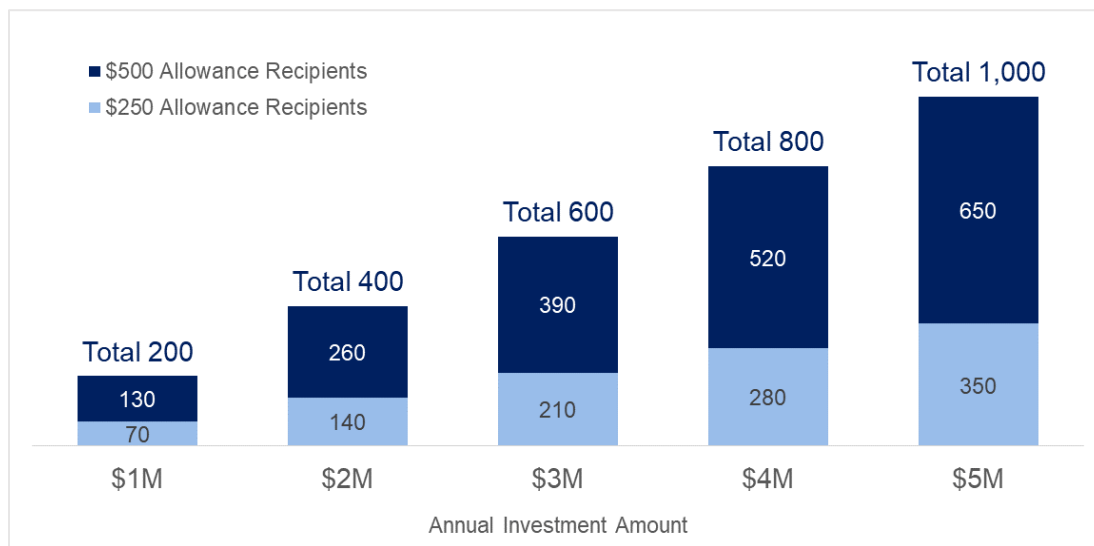
**Expanding the Housing Allowance Program**

In the current chronic homelessness stream of the housing allowance program, approximately 2/3 of households receive a \$500 benefit and 1/3 receive a \$250 benefit.

For every additional annual investment of \$1 million, approximately 200 new households could receive a housing allowance (based on currently benefit levels).

Currently, approximately 100 chronically homeless households are referred into the program per month. With an investment of \$5 million annually, the program could be extended from July 2019 to April 2020 when more details about implementation of the Canada-Ontario Housing Benefit will be known. Through this 10 month extension with an annualized investment of \$5 million, approximately 1000 households would be assisted to exit homelessness.

Figure 1: Potential Reach of Housing Allowance Program Extension by size of Investment



An ongoing annual investment of the same funding level would be required to sustain these households once enrolled. Any new households enrolled would be based on program attrition, estimated at approximately 10% per year based on current program criteria.

Considering an additional deeper subsidy level in any future program may also improve access to housing opportunities for households. Flexibility within the housing allowance program design, related to depth of subsidy, length of benefit and eligibility, is important to ensuring funding can be used efficiently to respond to the needs of people experiencing homelessness, particularly in the context of a fluctuating housing market.

As the current program administrator, the Provincial Ministry of Finance would need to agree to administer any additional funding added to the program by the City.

## Funding Options

City Council directed staff to consider funding options for expanding the Housing Allowance Program, including adjustments to Municipal Land Transfer Tax (MLTT) rates. Below is a review of the three key options considered.

### *Municipal Land Transfer Tax*

The MLTT was implemented on February 1, 2008 under the authority of the City of Toronto Act, 2006 (COTA). Under COTA, the City has the authority to set the MLTT rate structure. For example, on March 1, 2017 the City increased some of its MLTT rates to harmonize all its rates with provincial LTT rates, with the exception of the province's Non-Resident Speculation Tax of 15% on residential properties.

There are several issues with increasing the operating budget reliance on MLTT revenue that need to be considered. The variability of the tax as exhibited by the 10% revenue decline in 2018 poses a revenue risk to the Operating Budget. In response to the Long term Financial Plan Report, staff were directed to develop strategies to redirect a portion of the MLTT revenue from funding ongoing service delivery to capital project funding, beginning with the 2020 Budget Process. Any increase in rates to support operating programs should be coupled with a plan to reduce operating budget exposure overall. In addition, the tax structure has not been reviewed since the City introduced the tax.

Corporate Finance will table a report on the City's revenue options at Budget Committee in June 2019. The report will consider revenue options that can be implemented almost immediately or recommend seeking legislative authority to do so, with the objective to broaden the City's tax base and generate appropriate amounts of revenue to fund Council's directed investments. Broader issues related to the MLTT will be more fully addressed in this report.

Funding of housing allowances must also take into consideration the fiscal impact on the City of the 2019 Ontario budget. Revenue options to expand the housing allowance program will be considered along with other City priorities through the 2020 budget process.

### *Canada-Ontario Housing Benefit*

As part of the National Housing Strategy and the recently announced provincial Community Housing Renewal Strategy, the federal and provincial governments have committed to work together to develop and implement Canada-Ontario Housing Benefit. The program will begin implementation in April 2020. The final program design has not yet been announced but the initial description stated it is intended to help families by providing an average rent subsidy of \$2,500 annually (\$208 per month). The benefit is expected to help up to 300,000 households across the country. At this level of funding, the benefit may not be substantial enough to address the realities of the rental housing market in Toronto and other major large cities, particularly as a tool to address homelessness for vulnerable individuals.

### *Ontario Priorities Housing Initiative*

The provincial government has recently announced funding allocations for the new three-year Ontario Priorities Housing Initiative (OPHI), including \$70 million for Toronto between 2019/20 and 2021/22. OPHI is designed to address priorities in the areas of housing supply and affordability, including new affordable rental construction, community housing repair, rental assistance, tenant supports and affordable homeownership. Funding for housing allowance programs are eligible under this

initiative and staff will report to Council on recommended funding allocations and priorities in July 2019.

## **Conclusions**

Staff will report to Council on recommended funding allocations and priorities for the various program components of the new Ontario Priorities Housing Initiative in July 2019. Housing allowance programs are eligible under this initiative and a total of \$70 million is available for Toronto between 2019/20 and 2021/22.

The City is currently developing its next ten-year housing plan, HousingTO 2020-2030 Action Plan, to be presented to City Council in the fall of 2019. The public engagement phase of the plan is underway to develop a comprehensive, solutions-based plan to address housing and homelessness challenges over the next decade. Sustaining and expanding housing allowance programs will be addressed as part of the new plan.

## **CONTACT**

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## **SIGNATURE**

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