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federation of rental-housing providers of ontario

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February 10, 2011

The Honourable Dwight Duncan
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street Toronto, ON M7A 1Z1

Dear Minister Duncan:

Re: 2011 Pre-budget Submission of the Federation of Rental-housing Providers of Ontario

Please find attached the pre-budget submission of the Federation of Rental-housing Providers of Ontario (FRPO). FRPO is the province's leading advocate for quality rental housing. Representing 800 owners, managers and investors, our members supply rental homes to over 275,000 households.

Our submission focuses on support for fiscally responsible housing policies, and makes the following recommendations:

1. **Alleviate price regulation of rental housing to ensure necessary investments can be made in Ontario's ageing housing stock**
2. **Implement energy conservation and housing renovation tax credits for owners of rental housing to mitigate cost increases, improve housing quality and further stimulate jobs and investment**
3. **Rebalance housing policy by either eliminating the $1.56 billion in provincial grants and subsidies that are unnecessarily provided solely to homeowners, or by extending them in an equitable manner to renter households**
4. **Implement a Housing Benefit program to provide direct assistance to eligible lower income renter households while reducing the demand on other social assistance programs related to serving the working poor**

Thank you for your consideration of FRPO's 2011 Pre-Budget Submission. We would be pleased to discuss any of the above matters further if you have any questions or comments.

Sincerely,

Mike Chopowick
Manager of Policy

cc. The Hon. Rick Bartolucci, Minister of Municipal Affairs and Housing
Norm Miller, MPP, PC Finance Critic
Michael Prue, MPP, NDP Finance Critic

Encl.

Fiscally Responsible Housing Policies for the 2011 Ontario Budget

February 10, 2011

Rental Housing Industry Pre-Budget Recommendations to the Ontario Government

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EXECUTIVE SUMMARY

Since 1985, the Federation of Rental-housing Providers of Ontario (FPRO) has served as the voice of Ontario's rental housing industry, and now is the largest association in Ontario representing those who own, manage, build and finance residential rental properties. Our membership includes a diverse group of owners and managers, from those with one small building or a few units, up to the largest property management firms and institutional owners and managers, with more than 800 members in every area of Ontario, and with over 250,000 homes.

As announced in the most recent Fall Economic Statement by the government, Ontario's economy is beginning to recover from the recent recession. But Ontario still faces critical challenges and continues to risk falling behind other Canadian provinces and lagging behind in the recovery of jobs and economic activity.

In the first part of this submission we highlight some of the main economic factors that have particular relevance to rental housing demand. Given rental housing's role in serving the needs of 1.3 million households, our submission then outlines several recommendations for the government that, if implemented, can assist our sector in furthering our economic contribution to Ontario.

The critical role of fiscally responsible housing policy

Rental housing plays an important role in the economy of Ontario. First, rental housing supply is critical to supporting employment and economic growth by providing a more financially responsible and flexible housing option to Ontarians, including key demographic groups such as young adults and immigrants (75% of new immigrants are renter households).

In addition to the role of rental housing in serving the direct accommodation needs of the population, our sector also makes a direct contribution to job creation, private sector investment and tax revenue generated through activities in the provision of over 1.3 million rental homes across Ontario.

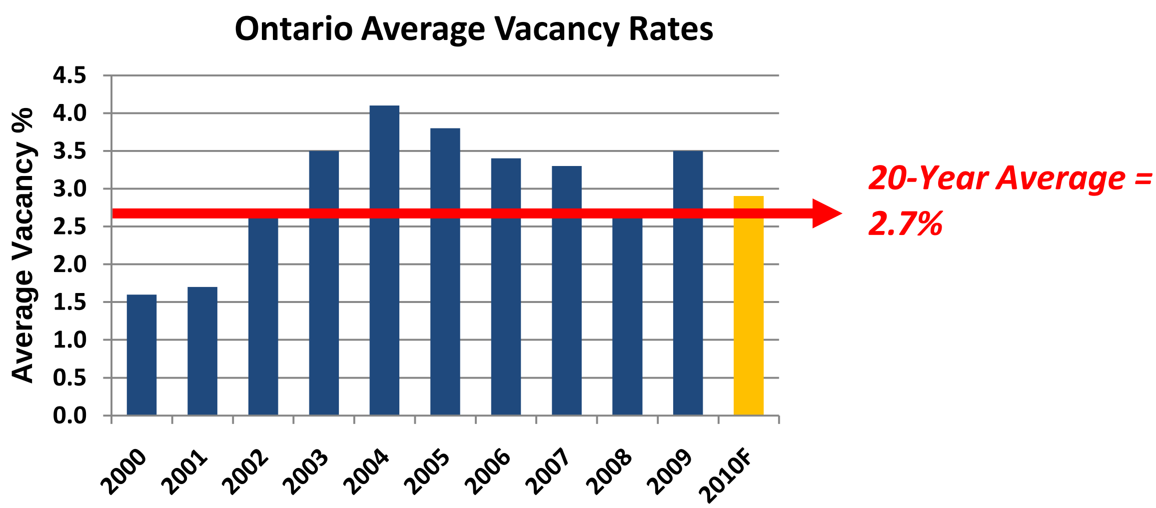
Now is the right time for the government to implement measures that will safeguard and promote private sector investment and job creation in rental housing, and rebalancing fiscal and housing policies towards more level playing field promotion of renting as a housing option and as a business investment. **For the 2011 Ontario Budget, FRPO is recommending the Ontario government:**

1. **Alleviate price regulation of rental housing to ensure necessary investments can be made in Ontario's ageing housing stock**
2. **Implement energy conservation and housing renovation tax credits for owners of rental housing to mitigate cost increases, improve housing quality and further stimulate jobs and investment**
3. **Rebalance housing policy by either eliminating grants and subsidies that are unnecessarily provided solely to homeowners, or by extending them in an equitable manner to renter households**
4. **Implement a Housing Benefit program to provide direct assistance to eligible lower income renter households while reducing the demand on other social assistance programs related to serving the working poor**

THE STATE OF ONTARIO'S RENTAL HOUSING MARKET

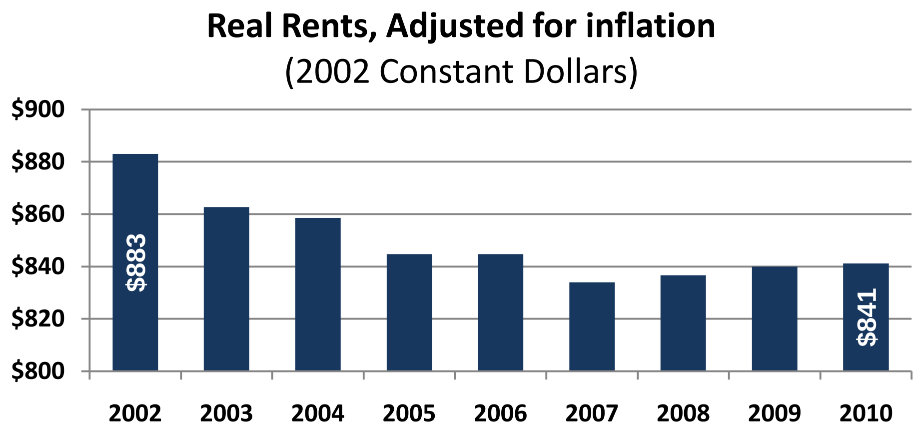
Ontario's private rental housing market is heavily influenced by changes in employment, immigration and the number of households that shift from renting to owning a home. Current rental market conditions have shown a continuation of competitive market conditions that provide adequate choice for tenants.

Demand for rental accommodation is positively correlated with the state of the economy. Strong economic growth creates the employment conditions necessary to stimulate household growth, and also attracts a greater share of new Canadian immigrants to Ontario to strengthen rental demand. Increases in interest rates and home prices also tend to bolster rental housing demand by making renting a more financially attractive tenure option for Ontarians.



Currently, residential vacancy rates in Ontario remain above the historical average, and were 2.9% on average for 2010 (as shown by the chart above). Ontario's average availability rate, which indicates vacant plus soon-to-be vacanct units, was 4.7% for 2010.

The average monthly rent for a 2-bedroom apartment in Ontario was $980 as of October 2010, a 1.9% nominal increase from 2009 (for existing buildings only). Factoring in an adjustment for inflation, rents were essentially frozen on a year-to-year basis, and in real terms average rents in Ontario have decreased significantly since 2002 (as shown in the below chart).



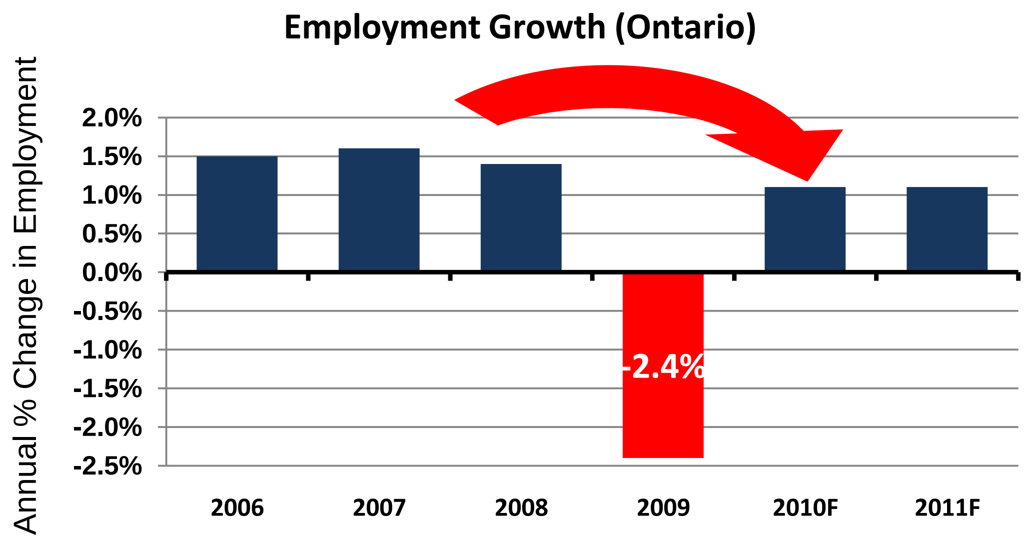
Source: Annual average Ontario all-items consumer price index (Statistics Canada, CANSIM); Ontario average 2-bedroom monthly rent (CMHC, Rental Market Report)

While rental market conditions appear favourable for most renters, falling rents and higher than normal vacancy rates has increased the vulnerability of landlords to cost increases in the form of tax changes, energy prices, and other operating costs. In addition, the looming costs associated with maintaining a steadily ageing housing stock present a growing risk to the viability of the rental industry.

Better market conditions clearly require a rapid pathway from recession to economic recovery in Ontario, along with fiscal and housing policies that encourage investment by owners. Based on available economic data, FRPO will outline below the main trends in factors affecting rental housing demand.

Employment

Rental housing demand is positively influenced by growth in employment opportunities. The recent drop in average vacancy rates in Ontario between 2009 and 2010, from, 3.4% to 2.9%, may signal that the forecasted recovery in employment is underway. It is noteworthy, however, that recovery will be slow and unemployment rates in Ontario are forecast to be above pre-recession levels for some time.



Source: Ontario Ministry of Finance, 2010 Fall Economic Statement; BMO Capital Markets Economics, Provincial Economic Outlook, 2010

Furthermore, as illustrated by the chart above, growth in employment, and the number of new jobs, will continue to fall behind rates previously seen in Ontario prior to 2009. The 2009 recession evidently has had a steep and lasting negative impact on Ontario's ability to recover jobs. This will likely dampen rental housing demand well into next year, and limit market price increases in monthly rents.

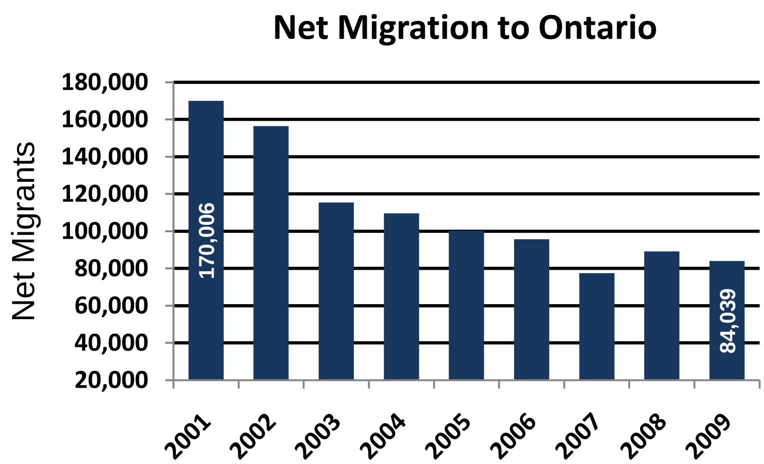
While this market environment is favourable for tenants seeking rental accommodations, it also highlights the economic challenges rental housing providers are facing in light of increasing costs, rents that are decreasing in real terms, and a decreasing number of households that choose to be renters.

Immigration

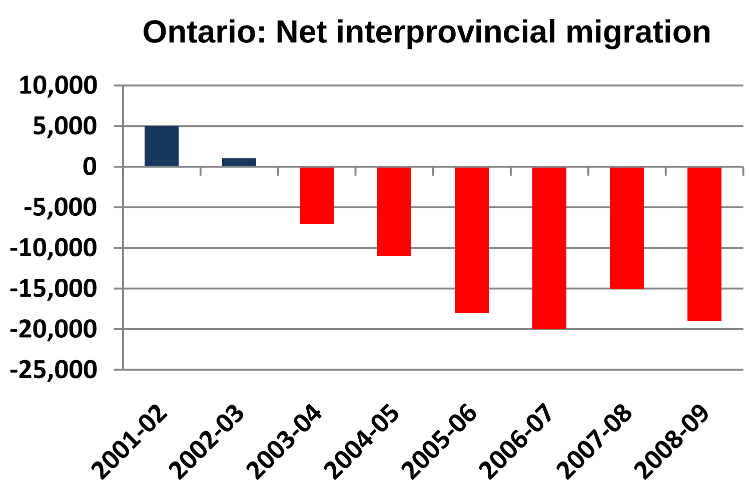
It is well documented that new immigrants are a key demographic for rental demand. New Canadians, as well as migrants from other provinces, usually require immediate accommodation, and often opt for rental housing that is located close to employment and other amenities. Housing is the first thing people seek to establish when they arrive somewhere, just ahead of employment and education.

According to Canada Mortgage and Housing Corporation (CMHC), immigrants may often lack the necessary savings or work experience to qualify for homeownership. As a result, a large proportion of newcomers, approximately 75%, choose renting over owning when first arriving in Canada.

Partly as a result of people leaving Ontario, annual net migration to Ontario has dropped by a massive 56% since 2001-02 (see chart below), dropping from 156,000 in 2001-02, to just over 69,000 in 2010-11. As pointed out by CMHC and evidenced in higher than normal vacancy rates, this has had a depressing effect on rental demand in Ontario. Immigration to Ontario has slowed compared to other provinces, especially western Canada.



Ontario's decline in immigration levels and higher out-migration is partly indicative of economic weakness in the province. Other Canadian provinces are clearly providing more job and employment opportunities, and attracting a greater share of immigrants and inter-provincial migrants as a result. As shown in the chart below, over 90,000 people have left Ontario for other provinces since 2003.

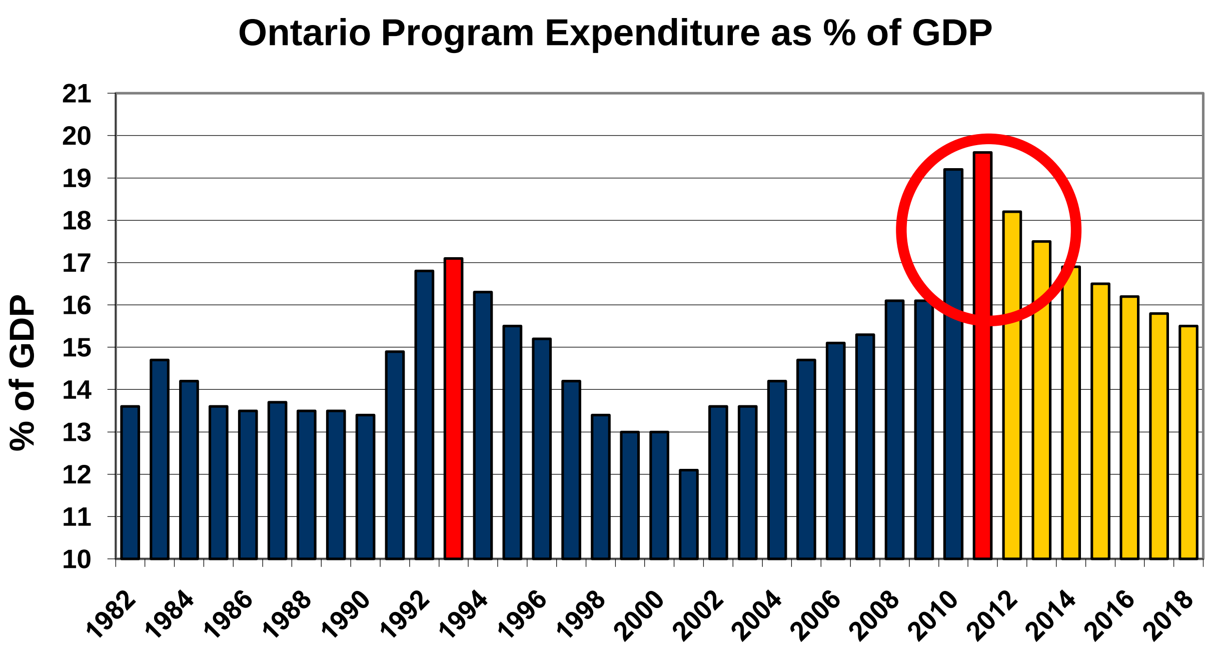


Source: Ontario Ministry of Finance, 2010: Ontario Population Projections Update, 2009–2036

The Ontario government must recognize that immigration trends have a profound impact on the economy and on housing demand, and implement fiscal and economic policies that make it more attractive for skilled workers to move to our province.

The need for fiscally responsible housing policy

The Ontario government's own deficit reduction plan, which calls for the deficit to be eliminated by 2017/18, will require an expenditure management plan almost unprecedented in scale. Following an 11.3% increase in overall expenditures in 2009-10 and a projected 6.7% expenditure increase in 2010-11[1], it will be a significant political challenge for the government to reduce the currently projected $18.7 billion deficit through prudent fiscal management that was called for in the province's Fall Economic Statement. To achieve this, the government will have to drastically reverse the current spending trend that has seen expenditures reach record levels compared to the province's GDP (see chart below).



Source: RBC Economics, Ontario Budget Outlook, March 2010

FRPO believes there is an increased role for the private sector to play in the delivery of rental housing to the public in a fiscally repsonsible manner. It is clear that the government will not be able to afford a continuation of current, let alone increased, levels of investment in affordable housing programs. Changes in housing policy that leverage additional private sector investment and reduce the burden on current social assistance spending should be seriously considered by the government in this current fiscal environment.

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[1] TD Economics, November 2010, Ontario fiscal Update

In this submission FRPO has submitted several proposals that can accomplish the government's housing policy objectives at no direct cost to taxpayers (increasing the rent control guideline), or, at a reduced cost of current program delivery (rebalancing of housing subidies and a housing benefit), or at a small cost that will stimulate additional economic activity, job creation and future tax revenue growth (tax credits for rental housing renovation and energy efficiency).

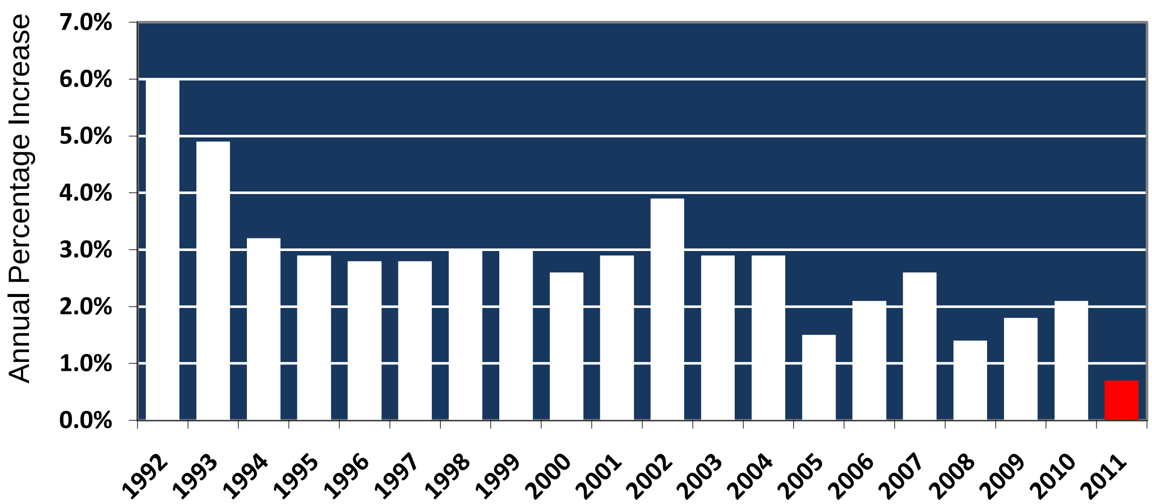
These proposals are detailed in the below sections.

REFORM ONTARIO'S RENT GUIDELINE

Rent controls have almost been universally accepted by most credible economists as having severe negative economic consequences on the housing market. This submission will not attempt to repeat the extensive research that is already available showing the negative impact of rent controls on rental housing supply, quality, and on the quality of life for the poor.

In Ontario, price regulation of rental housing is curtailing investment, job creation, and tax revenue, in addition to failing to ensure the adequate maintenance of ageing rental buildings. Reforming Ontario's rent guideline would have the dual benefit of safeguarding housing quality for tenants and enhancing economic performance of the province by allowing increased capital expenditures by property owners.

Historical Rent Control Guideline (Ontario)

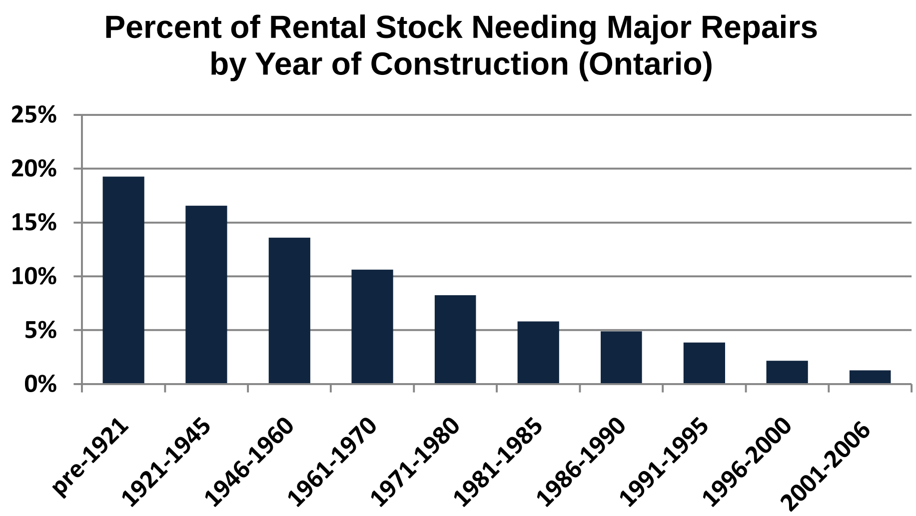


Ontario's rent control guideline formula (0.7% for 2011) is currently insufficient to allow for the proper maintenance and repair of rental buildings in Ontario, and is inadequate to ensure the ongoing viability of Ontario's rental stock. Since undergoing changes by the government with the introduction of the Residential Tenancies Act, 2006, the guideline formula does not reflect the rental industry's operating cost increases, and completely fails to allow for additional capital to be re-invested in the proper physical maintenance of a rental building.

Ontario's annual rent guideline should be reformed to add a base amount of at least 2% in addition to the current increase based on the annual change in the consumer price index (CPI). This is the formula currently used in British Columbia and recognizes that landlords cannot achieve the annual guideline every year, and gives them greater flexibility to maintain their buildings properly over time.

Capital Investment Needs of the Ageing Housing Stock Are Growing

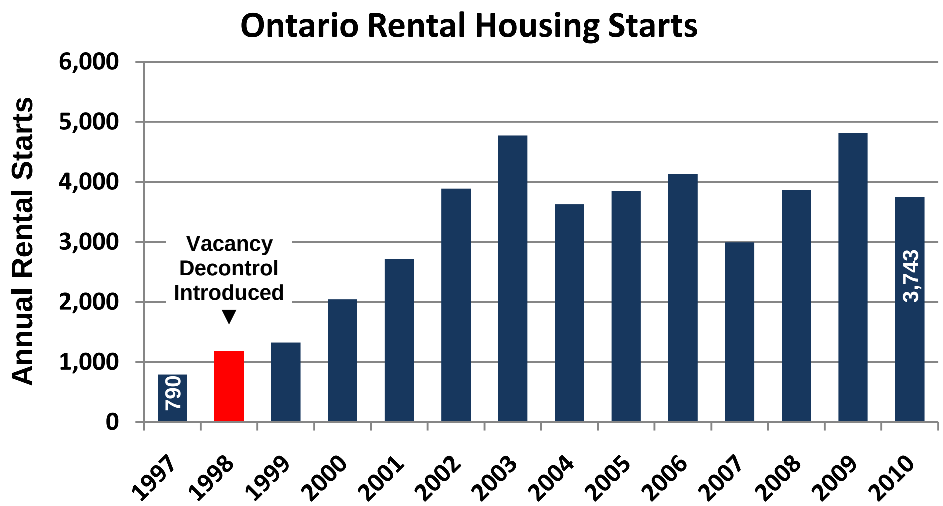
Ontario's rental housing stock is ageing. The average age of a rental building in Ontario has gone from 29 years old in 1991 to 40 years old in 2006 according to Census data. As the stock ages, its repair needs will only grow. The chart below shows the need for major repairs by the age of the building. As these buildings age, their need for major capital investment will only increase.



Source: Statistics Canada - 2006 Census. Catalogue Number 97-554-XCB2006023.

In fact, the capital needs of the rental stock are expected to accelerate in the coming years. This is due to the large volume of high-rise buildings built in the 1960s and 1970s or prior. This stock faces particular challenges with major capital repairs (e.g. large continuous walls, elevators, more complex mechanical and other systems, and greater weather exposure).

Vacancy decontrol of rents, introduced in Ontario in 1998, had a profoundly positive effect on new rental housing construction and investment by landlords, both in new construction and renovation of existing buildings. Since the easing of rent controls in 1998, Ontario rental developers and investors have rediscovered rental housing projects as viable investments, and rental starts in Ontario have increased from just 790 in 1997 to between 3,000 and 5,000 units per year.



Costs are exceeding rent growth

When other operating costs are factored in (utilities, taxes, mortgage interest, labour), Ontario's restrictive rent control guideline has resulted in costs growing faster than rent growth. FRPO estimates that average rents grew by only 23% over the 1999-2009 ten year period (compound annual growth rate of 2.1% per year), while costs increased by 39% (or a compound annual growth rate of 3.3%) over the same decade.

The impact of the current rent control system will be a major reduction in repairs and maintenance of rental buildings in Ontario, since repairs are the only discretionary cost item a landlord can control.

The importance of resolving this problem is becoming critical. Most recently, a report released by the United Way identified the need for major repairs of apartment units as a key finding, and strongly recommended actions to sustain the high-rise stock in good repair for the future. The only way private sector rental housing providers will be able to invest more in revitalizing the physical conditions of aging high-rise apartment buildings is through an increase in the allowable rent guideline.

If action is not taken, renters may face growing maintenance problems, reduced customer service, and reduced investment in their homes.

Economic benefits of increasing the rent control guideline

Increased renovation spending – The last major easing of rent control in Ontario, in 1998, was followed by a massive 87 percent increase in capital expenditures per unit by apartment owners, from $589 per unit during 1995 to 1997, to over $1,100 (Constant 2003 Dollars) per unit during 1998 to 2000. Based on just the total number of private rental homes in multi-unit structures, FRPO estimated[2] at the time that this resulted in a $332.4 million increase in renovation spending in Ontario.

In today's (2010) dollars, this would be valued at over $378 million, and represents a contribution to the provincial economy that could be lost due to shrinking net operating income caused by rent control restrictions imposed by the Ontario government since 2004. For all 625,000 private sector rental units in multi-unit structures in Ontario, this would represent almost $775 million in today's dollars.

Increased employment – In a study released by FRPO in 2004, it was estimated that 1,148 person-years of employment were generated for every $100 million of renovation spending in the rental housing sector. This level of investment generates approximately 7,806 person-years of employment. As noted above, the last major easing of rent controls in Ontario significantly boosted renovation spending in the rental housing sector. Allowing additional increases in the rent control guideline would prevent erosion of industry net operating income and allow for increased repair investment and related job creation.

Recommendation: Revise the Annual Guideline Formula

The current provincial rent control guideline formula is not working for rental buildings. It should be revised. The 2% that was removed from the previous guideline formula should be restored. The new guideline formula should be CPI plus 2%. This is the current rent control guideline used in British Columbia. The purpose of the rent control guideline should not be to limit rent increases to inflation[3]. Its primary purpose, if it exists, should be to protect tenants from extraordinary rent increases while allowing for continued, sustained investment in repairs and maintenance.

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[2] FRPO, 2004. *Increased Costs Attributable to Returning to a pre-1998 system of Rent Controls in Ontario*, prepared by Clayton Research Associated Ltd.

[3] Of course, FRPO believes that there should be no rent control at all as it is terrible public policy. Most jurisdictions in North America do not have them at all, and it has not lead to a major problem with the rental market. As well, nine Nobel laureates have spoken out against rent controls as bad policy, with none speaking in favour. Rent controls are not a justifiable policy.

A RENTAL HOUSING ENERGY EFFICIENCY TAX CREDIT

FRPO currently has a proposal before the Ontario government for an energy conservation program targeted at the rental housing industry. The program would be designed to be complementary to existing government energy conservation initiatives. The program would have three major elements:

- A window and door replacement program;
- A fridge replacement program; and
- A tenant education program.

This proposal is for a program designed to encourage capital equipment upgrades and replacements related to energy conservation, as well as tenant education. This would be done by providing financial incentives to motivate residential landlords to make capital investment in their properties. Net program costs would be mitigated through increased HST on these capital expenditures and from income and corporate tax on the resultant incremental economic activity in Ontario.

Key benefits of this program include:

- Upgrading of rental housing units to benefit the quality of life for tenants
- Reduced energy consumption, resulting in lower costs for rental housing providers and reduced demand on the province's electricity system
- Direct job creation and investment in Ontario
- Additional income and sales tax revenue from earnings and materials purchased in Ontario

Recommendation: Ontario Rental Housing Energy Conservation Program

FRPO has already submitted a detailed proposal to the Ministry of Finance and the Ministry of Municipal Affairs and Housing, outlining total program costs of $54 million for an initiative that includes:

Capital Measures:

- Window and Door Replacement with new energy efficient products, with Ontario content rules as appropriate.
- Appliance Replacement and Recycling, ensuring older inefficient appliances are replaced with new Energy Star rated appliances.

Informational Measures:

- Tenant Engagement and Education pieces to ensure tenants have the requisite information and resources to implement conservation practices.

RENTAL HOUSING RENOVATION TAX CREDIT

Since many challenges landlords face (low rent guideline, ageing buildings & HST costs) have a negative impact on repairs and maintenance in the rental sector, a reasonable solution is a renovation tax credit.

The main advantage of this proposal is its simplicity. A simple design like the federal Home Renovation Tax Credit would be easy to implement, and provide effective cost mitigation for the rental industry, allowing for quick economic stimulus at a time when the rental industry will be experiencing great difficulty.

A key benefit of the program is that it would lead to investment in Ontario's ageing rental stock. It would incent owners to create jobs. It would improve the quality of the rental stock and the renting experience for Ontario's renters. And it would generate tax revenues for the province by way of income taxes and sales taxes that would offset the cost of implementation.

As noted in the above section on reforming Ontario's rent guideline, it is estimated that 1,148 person years of employment are created for every $100 million in renovation spending in the rental housing sector. A conservative estimate is that at least this amount would be created additionally through this proposed tax credit. The additional job creation and economic activity would contribute to provincial GDP and tax revenue growth.

Design for a rental housing renovation tax credit

FRPO proposes that the design of the program be very similar to the federal program. Firstly, there would be a minimum threshold for qualifying expenditures, and only expenditures above the threshold would qualify for the tax credit. A tax credit would be provided at the rate of 15% of expenditures over the threshold, and there would be a ceiling on the amount of the tax credit provided.

For a provincial program targeted at the rental sector, FRPO would propose the following changes:

- a smaller tax credit ceiling of $500 (rather than $1,350), to lower the cost of the program
- A lower threshold of $700 (versus $1000 federally), a companion to a much lower tax credit ceiling for rental housing

- a refundable tax credit (as opposed to a non-refundable credit) to recognize the fact that many owners (REITs, pension funds and limited partnerships) would not qualify for non-refundable tax credits

Estimated Costs

The cost of a rental housing renovation tax credit depends very much on the design. Suppose for simplicity sake that there is a ceiling of $500 per suite for a rental program (the federal program has a ceiling of $1,350). Then the potential program cost might be estimated as follows:

Universe of private rental units *	1,052,290
Utilization rate	50%
Average expenditure per suite	$2,000
Potential cost before offsets	$103 M
Estimated provincial government offsets	$54 M
Net Provincial cost	$48 M

* Source: 2006 Census and 2009 provincial auditor's report on social housing.

The total cost of the program could be as much as $157 million. However, when you consider the offsets the province will gain through income and sales taxes through the additional work incented by the program, the actual cost to the government may be closer to $104 million. Appendix I provides a more detailed breakdown of this net cost estimation.

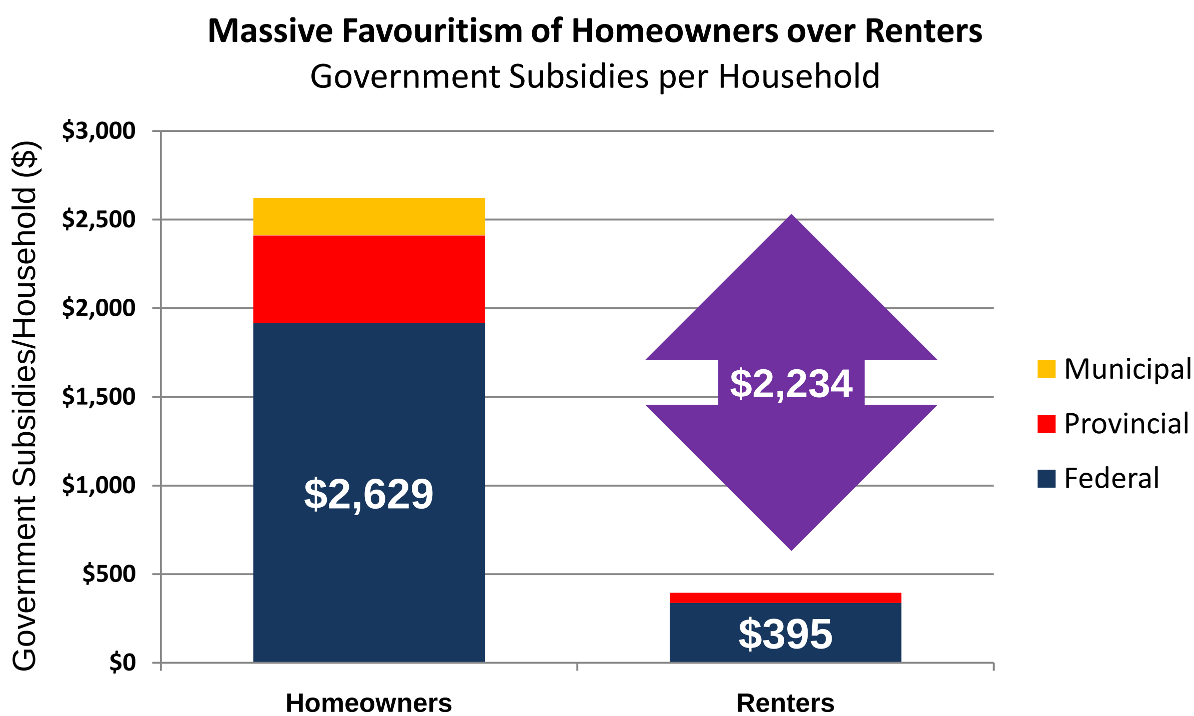
Recommendation: Ontario rental housing renovation tax credit

The Ontario government should implement a one-time (e.g. one year) refundable renovation tax credit for private rental housing for 15% of eligible repairs and capital expenditures, up to a maximum of $500 per suite, for work performed, or goods acquired, during the eligibility period.

END UNFAIR FAVOURITISM OF GOVERNMENT HOUSING SUBSIDIES

According to a study released by FRPO and the Canadian Federation of Apartment Associations (CFAA) in 2010, total subsidies provided by all three levels of government to homeowners and private renters (direct grants, tax expenditures and tax credits) amounted to $8.9 billion in 2008/09 in Ontario. The allocation of these subsidies amounts to massive favoritism of homeowners, who receive 93.7% of this total spending, while only 6.3% goes towards assisting private renters[4].

This unfair favoritism towards homeowners exists despite renters having average household incomes of $45,558, compared to $92,885 for the average homeowner household. This massive transfer of wealth to homeowners makes little apparent sense, and provides no recognizable benefit. In fact some economists have pointed out that massive subsidization of homeownership has had the unintended consequence of artificially inflating home prices, thereby making homeownership actually less affordable, especially for first time homebuyers and immigrants[5].



[4] Federation of Rental housing Providers of Ontario and Canadian Federation of Apartment Associations, 2010. *Government Subsidies to Homeowners and Renters in Ontario and Canada*.

[5] Glaeser, Edward L, & Gyourko, Joesph, 2008. *Rethinking Federal Housing Policy;* The AEI Press, Washington DC.

The Ontario government provides over $1.56 billion in homeowner subsidies

In Ontario it is inconceivable that funding for rental programs serving the lowest income households is dwarfed by the tax incentives and subsidies that flow to homeownership, benefitting households with higher incomes. The FRPO/CFAA study showed that the Ontario government alone expends over $1.56 billion on direct homeowner tax credits, non-taxation of imputed rent and non-taxation of capital gains. Not only does this represent a regressive system of tax benefits and subsidies, but it also has the consequence of slanting housing choices in favor of homeownership, even for those households that may be financially better off renting.

The impact on the overall economy is also negative, as this policy bias discourages labour mobility by rooting down households in owner-occupied dwellings (or “borrower-occupied” if they have large mortgage debts), and wrongly encourages households to have all their investment eggs in one basket, in many cases a heavily leveraged home that has a low rate of return compared to other investments.

Within Ontario, each level of government discriminates against renters with subsidies that favour owners. The subsidy breakdown by level of government in Ontario is as follows:

	Tenure	Federal	**Provincial**	Municipal	Total
Total Subsidies ($Millions)	Homeowners	6,104	**1,569**	671	8,370
	Renters	479	**83**	0	562
Average Government Subsidy per Household	Homeowners	$1,917	**$493**	$211	$2,629
	Renters	$337	**$58**	$0	$395

While all three levels of government are responsible for this disparity, the favoritism shown towards homeowners compared to tenants is particularly acute at the provincial level of government. The Ontario government provides 95% of $1.7 billion in combined subsidies to homeowners, mainly in the form of property tax grants, non-taxation of imputed rent and non-taxation of capital gains. Subsidies and grants to renters total only $83 million of this amount, mainly in rent supplements.

On a per household basis, this results in homeowner households receiving $493 annually in subsidies from the provincial government, compared to only $58 for lower income renter households.

Recommendation: End unfair favoritism of government housing subsidies

The net effect of this favoritism is that renters are forced to subsidize homeowners, despite homeowners having double the incomes of tenants on average. This large disparity strengthens the case for a provincial housing benefit subsidy for low income renters, as described in the next recommendation. A carefully designed, fiscally prudent Housing Benefit will help low-income renters make ends meet, and also help redress the massive government subsidy favoritism provided to homeowners compared to tenants.

ONTARIO HOUSING BENEFIT

The Provincial Long Term Affordable Housing Strategy, released in November 2010, proposed exploring the creation of an Ontario Housing Benefit to help low income Ontarians pay for rental housing costs.

FRPO, along with a coalition of industry and community organizations, was pleased that the government made the important decision to explore an Ontario Housing Benefit. This is a major step forward in addressing the economic pressures facing low-income Ontarians. Now that the government has stated that recent economic forecasts have improved compared to those in the 2010 Budget, and has reduced its deficit projection for 2010-2011[6], it is the right time to plan implementation of a Housing Benefit program for renters.

A detailed proposal for a program was submitted to the Ontario government in November 2008, in a paper titled ***"A Housing Benefit for Ontario: One Housing Solution for a Poverty Reduction Strategy"***. This proposal was developed and supported by a broad coalition including: the Federation of Rental Housing Providers of Ontario (FRPO); the Ontario Non-Profit Housing Association; the Greater Toronto Apartments Association; the Daily Bread Food Bank; Metcalf Charitable Foundation and the Atkinson Charitable Foundation.

The new benefit will help low-income working age renters with high shelter-to-income burdens in communities across Ontario, particularly in the Ottawa and Greater Toronto Areas where rents are higher.

Carefully targeted and fiscally responsible

The proposal we submitted would add a necessary affordable housing component to Ontario's Poverty Reduction Strategy and Long-Term Affordable Housing Strategy. It is a carefully targeted, fiscally conservative proposal -- the right step to help low-income renters make ends meet.

Unlike other provinces, the only permanent housing benefit provided in Ontario is paid exclusively to social assistance recipients. The working poor do not get any on-going help to cover the cost of their housing. This acts as a barrier to employment, making the transition from social assistance to the labour market very difficult.

[6] Ontario Ministry of Finance, 2010 Ontario Economic Outlook and Fiscal Review.

Reduce Overall Social Assistance Costs to the Government

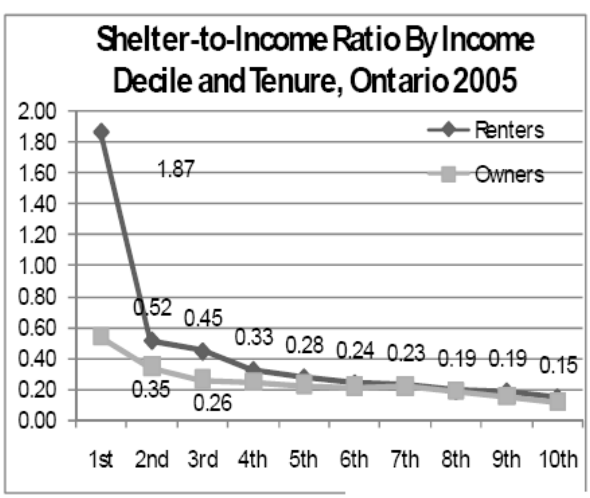
Our proposal is to augment, but not to replace, the existing shelter component of Ontario Works (OW). That means any planned increases to the existing shelter component should be available to the new program. The increase in the shelter allowance over the past four years has added 9% to the monthly shelter allowance and has increased the budget by about $250 million. If similar increases are planned in the next four years, these would provide a similar amount of new funding.

The proposed housing benefit is designed to sustain assistance to individuals and families leaving OW. It seeks to encourage this transition. For each person successful in leaving and remaining off of OW, the full, basic costs of welfare, plus shelter components, are no longer expended.

Helping people access employment

Many low-income workers cannot afford to live and work in the same community. They have to travel long distances across multiple transit systems to get to work. This places unnecessary strain on both our transit system and families. Others simply cannot take available work because they cannot afford to live close enough to their job or cannot afford the cost of transportation. Ongoing welfare costs can be reduced by repurposing a poorly targeted welfare program and implementing a highly targeted housing benefit that uses available funds more wisely.

Low income households, and especially renters, pay a disproportionately high proportion of income for housing. As shown in the chart below, shelter cost-to-income ratios are well above the 30% norm until well into the 4th decile.



Source: Statistics Canada SHS 2005

Recommendation: Implement an Ontario Housing Benefit

The housing benefit proposed by our coalition pays 75% of the costs of rent from a floor amount to the median cost of housing. The benefit starts to fall and gradually reduces to zero as income rises. It responds to variations in costs across the province. The housing benefit we propose estimates that almost 66,000 families and 129,000 individuals would receive an average benefit of $1,236 a year.

It is expected that the Ontario Government, working with the Canada Revenue Agency, could implement the new benefit within two years.

A Housing Benefit is an important part of a broader solution for addressing housing-related poverty. A carefully designed housing benefit could significantly improve both housing and poverty outcomes in Ontario. It would involve minimal new cost to government, provided there are significant reallocations of existing program spending to support the new design.